2018 Annual Report

A.P. Møller - Mærsk A/S

Esplanaden 50, DK-1098 Copenhagen K / Registration no. 22756214

MAERSK

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Revenue

26%

Up by USD 8.1bn

"In 2018, we accelerated our transformation and improved earnings despite lower than expected container volume growth and an increase in bunker fuel prices."

Søren Skou, CEO

Global supply chains, page 23

The Annual Report for 2018 of A.P. Møller - Mærsk A/S (hereinafter referred to as A.P. Moller - Maersk or Maersk as the consolidated group of companies and A.P. Møller - Mærsk A/S as the parent company) has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act.

Changes in presentation
As of 2018, Maersk changed the reportable segments and presentation of financial items in the cash flow statement. In accordance with IFRS, comparative figures have been restated.

Forward-looking statements
The Annual Report contains forward-looking statements. Such statements are subject to risks and uncertainties as various factors, many of which are beyond Maersk's control, may cause the actual development and results to differ materially from expectations contained in the Annual Report.

Comparative figures
Unless otherwise stated, all figures in parenthesis refer to the corresponding figures for the previous year.

Directors' report

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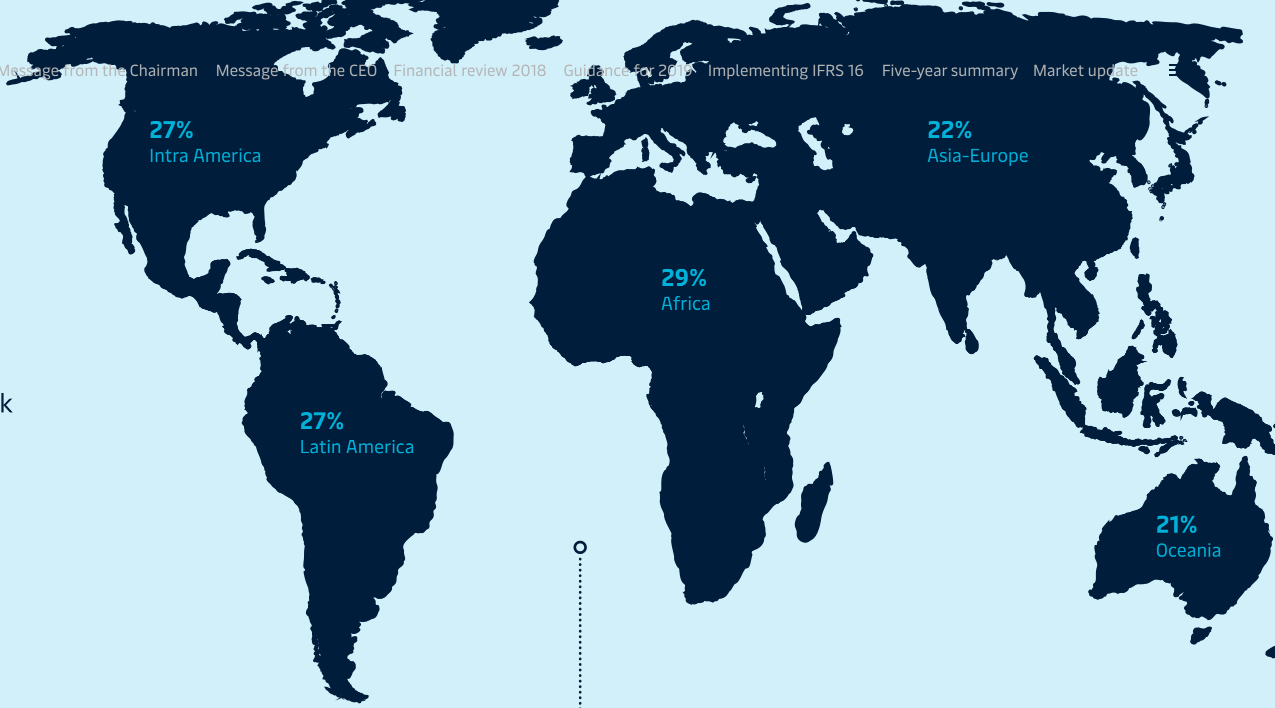
Historic transformation of A.P. Moller - Maersk

Considerable progress on the historic transformation of A.P. Moller - Maersk towards the vision of becoming the global integrator of container logistics.



The objective of finding structural solutions for the oil and oil-related businesses, ultimately leading to a separation from A.P. Moller - Maersk, is progressing successfully.

Maersk Tankers was acquired by A.P. Møller Holding A/S in 2017.

For **Maersk Oil**, the agreement with Total S.A. closed on 8 March 2018 with an accounting gain of USD 2.6bn.

For **Maersk Drilling**, it was decided to pursue a separate listing on Nasdaq Copenhagen in 2019.

The search for a long-term solution for **Maersk Supply Service** continues.

Revenue increase

↑ **26%**

Volume growth in Ocean

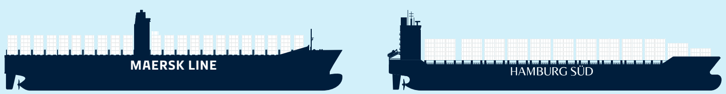
↑ **22%**

Net interest-bearing debt (NIBD)

↓ **41%**

#1

Ocean capacity market share



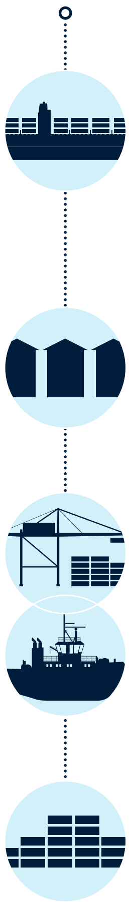
Successful integration of Hamburg Süd with synergies of USD 420m in 2018

Hamburg Süd and Maersk Line joined forces on 1 December 2017 and have successfully managed to form **one team**, amongst others, sharing best practices, resources and strengths.

Maersk at a glance

For the four business segments implemented in 2018 and representing the continuing operations, the key results are presented below.

Cooperation between the segments drives business forward



Ocean activities in the Maersk Liner Business and Hamburg Süd

Logistics & Services including supply chain management and inland activities

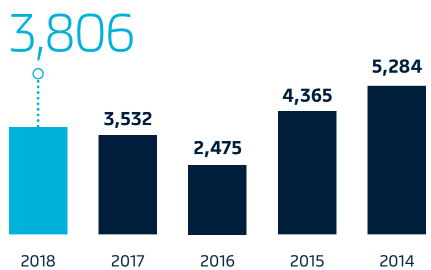
Terminals & Towage with gateway terminals and Svitzer towage services

Manufacturing & Others including Maersk Container Industry and Maersk Oil Trading

Revenue (USD million)

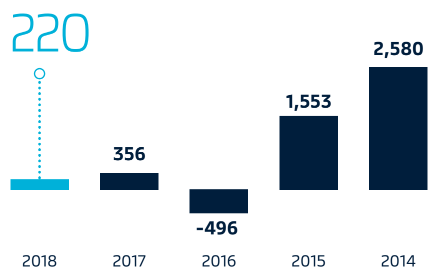
Revenue increased by USD 8.1bn with a 29% increase in Ocean, mainly due to the inclusion of Hamburg Süd. The other segments reported higher volumes and higher activity with revenue increasing by 8.4% in Terminals & Towage, 5.4% in Logistics & Services and 51% in Manufacturing & Others.

EBITDA (USD million)



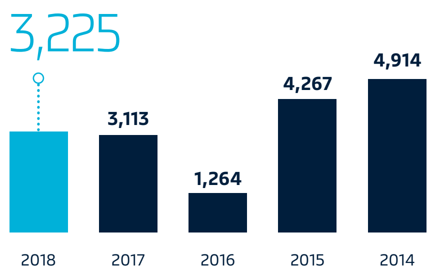
EBITDA did not grow in line with the increase in revenue of USD 8.1bn. In Ocean, the inclusion of Hamburg Süd positively impacted EBITDA, partly offset by a 32% increase in the average bunker price, not fully recovered in the freight rates, resulting in a modest increase of USD 230m. Terminals & Towage reported an EBITDA increase of USD 139m, while Logistics & Services and Manufacturing & Others reported a decrease of USD 41m and USD 114m, respectively.

Underlying profit/loss (USD million)



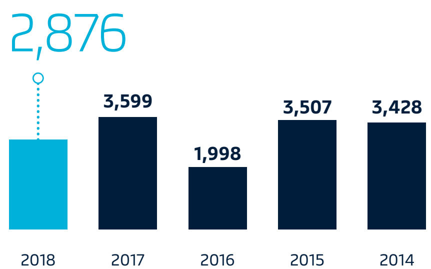
The underlying profit for continuing operations after financial items and tax was USD 220m (USD 356m), which is in line with the latest guidance for 2018 of a positive underlying result. The result for the continuing operations was a loss of USD 148m (loss of USD 194m).

Cash flow from operating activities (USD million)



Cash flow from operating activities was USD 3.2bn, equal to a cash conversion of 85% (88%) driven by an increase in EBITDA of USD 274m and partly offset by higher tax paid. The abolition of the export VAT scheme in Denmark had a negative one-off effect of USD 200m. Adjusted for the one-off effect, the cash conversion would have been above 90%.

Gross capital expenditure, CAPEX (USD million)



Capital discipline is reflected in gross capital expenditure (CAPEX) of USD 2.9bn, in line with guidance of around USD 3bn, mainly relating to vessels ordered in previous years, containers in Ocean, and development projects in Terminals & Towage. Free cash flow during the year (cash flow from operating activities less CAPEX) was positive at USD 349m.

Net interest-bearing debt (USD million)

Net interest-bearing debt decreased by USD 6.1bn. Free cash flow was USD 4.2bn (negative USD 2.8bn), positively impacted by cash proceeds from the Maersk Oil transaction of USD 2.0bn, the sale of Total S.A. shares for USD 3.0bn, cash proceeds from the separation of Maersk Drilling of USD 1.2bn and positive operating cash flow during the year, partly offset by CAPEX and payment of dividend.

Message from the Chairman of the Board of Directors

Jim Hagemann Snabe
Chairman of A.P. Møller - Mærsk A/S

Bringing opportunity and growth to every corner of the world

For A.P. Moller - Maersk, 2018 was a year of building the foundation for our future business, and we have made significant progress on the transformation of A.P. Moller - Maersk.

The transformation of A.P. Moller – Maersk was initiated in 2016, based on our strategy to focus A.P. Moller – Maersk on becoming the global integrator of container transportation and logistics to enable global trade in an efficient, simple and sustainable way.

Since the announcement of the new strategy, we have worked hard to change the company from being a diversified conglomerate with individual business units in different industries to become an integrated and focused company leading the transforming of the transportation industry.

Laying the foundation for growth and development

In 2018, we completed the process of finding new structural solutions for the majority of the energy-related businesses, which will enable them to continue to develop and grow under new ownership structures.

The sale of Maersk Oil to oil major Total S.A. was completed in March. The new owner is financially strong and has a long-term interest in the industry. Total S.A. has made Denmark a hub for Total S.A.'s North Sea activities, ensuring the best possible foundation for the continued development of the people, capabilities and assets of Maersk Oil and, not least, the Danish North Sea shelf.

In August 2018, we decided to pursue a demerger of A.P. Moller - Maersk via a separate listing of Maersk Drilling on Nasdaq Copenhagen in 2019, which will offer our shareholders the opportunity to participate in the continued development of Maersk Drilling.

Maersk Drilling owns and operates a fleet of 23 mobile offshore drilling rigs specialising in harsh environment and deepwater operations and is recognised for its safe, efficient, and reliable drilling services to some of the leading and most innovative oil and gas companies around the world. With superior financial uptime compared to peers, reflecting the company's focus on consistency, safety and reliability, Maersk Drilling is positioned as the contractor of choice among E&P operators. Maersk Drilling's management has done a remarkable job in preparing the company to operate as a standalone company and is organisationally and financially well-prepared for a listing.

Maersk Supply Service progressed on their divestment programme and strategy to diversify its business into new markets in 2018, and the pursuit of the long-term solution will continue. However, the timing for defining a solution remains difficult to predict due to the continued challenges in their core market.

The core of A.P. Moller – Maersk's transformation is enhanced customer service and added value for our investors. Furthermore, it is important that A.P. Moller - Maersk maintains a strong financial position with a solid capital structure to be able to pursue the necessary investments through this process.

Based on the foundation laid in 2018, we will accelerate the transformation in 2019.

During 2018 the net interest-bearing debt has been reduced by around USD 6bn to USD 8.7bn, through free cash flow generation from the operations, and cash proceeds related to both the separation of Maersk Oil and Maersk Drilling.

Contributing to growth and prosperity worldwide

In parallel to our efforts to complete the separation of our energy-related businesses, we have progressed on strengthening the fundamentals of our transport and logistics business towards profitable growth. In 2018, we successfully completed the integration of Hamburg Süd and delivered significant revenue growth and market share expansion further strengthening our number one position within ocean container transportation.

Digitalisation is a key enabler of transforming both A.P. Moller - Maersk and the industry. Innovative digital solutions delivered by A.P. Moller - Maersk in 2018 are removing the complexity and increasing the visibility and bringing much-needed simplicity to supply chains and documents. As the world's largest transportation and logistics network, A.P. Moller - Maersk is well placed to lead the digital transformation of the industry.

Safety and sustainable development

In 2018, seven people regrettably lost their lives while engaged in operational activities, and my deepest condolences go to the families of the victims. Accidents are never intentional but occur as the result of many factors coinciding. The Board and the management team have decided to focus on safety and build organisational capacity and operational controls that will act as barriers to accidents that could otherwise have escalated to cause life-changing or fatal outcomes.

Carrying around 80% of global trade, the shipping industry is vital in finding solutions to one of the world's most pressing challenges; climate change. As an industry leader, we have a responsibility to contribute to the reduction of CO_2 emissions. Since 2008, we have achieved a 41% reduction of our emission relative to cargo moved. In December 2018, we set a goal of reaching carbon neutrality in our Ocean segment by 2050.

The Board of Directors is proud to see the ambition level and the commitment from management to contribute to sustainable development – in particular to help decarbonise logistics, contribute to halving food loss, help multiply the benefits of trade and lead the change in the ship recycling industry.

Rewarding for performance

We believe in rewarding all employees, including executives, for delivering exceptional performance, building shareholder value and working towards the company vision of becoming the global integrator of container logistics.

Our executive remuneration policy is designed to attract, retain and motivate a highly effective and engaged executive team to support the achievement of our vision. In 2018 we have updated our cash-based short-term incentive scheme and our share-based long-term incentive scheme to better align the interests of executives with those of shareholders. The schemes are based on the following criteria: collaboration, agility, customer and people orientation and rewarding individual performance, as well as to which extent the organisation meets the financial and strategic objectives that drive the growth and future of the business.

Accelerating the transformation

Based on the foundation laid in 2018, we will accelerate the transformation in 2019. We are confident that the company has the right strategy and are building the capabilities to successfully transform the company and improve our profitability in the years to come.

In many ways A.P. Moller - Maersk is the enabler of global trade, as the world's largest and most reliable transportation network, connecting suppliers and customers globally. Based on our strategy, we are leading the transformation of the industry, using digitalisation to make global supply chains more simple, transparent and efficient, thus making the access to global trade more accessible and less costly. A significant transformation which will not only impact our business, but also the world.

On behalf of the Board of Directors, I would like to extend our sincere gratitude to our leadership team and all our employees around the globe for their continued passion, efforts and dedication to transform our company. This loyalty and focus have built our unique position and is the foundation for our future. •

Message from the CEO

Accelerating our transformation

Søren Skou
CEO of A.P. Møller - Mærsk A/S

The objective of the transformation of A.P. Moller - Maersk is to set the company on a new profitable growth trajectory. In the past two and a half years, we have come far in regaining our growth ambition, but we still need to improve profitability from the level seen in 2018.

We have transformed from being a conglomerate, with a corporate layer overseeing independent, stand-alone business units that had their own bottom lines, to one company, with one bottom line and with customers at the centre of our attention. With the listing of Maersk Drilling, scheduled for 4 April 2019, we will have almost completed the separation of our energy-related businesses, totalling more than USD 12bn worth of separation transactions.

We have acquired and integrated Hamburg Süd, contributing towards industry consolidation and positively impacting our results. We have made progress on the digital transformation of our business, digitising customer transactions, improving how we operate the business and our assets, and enabling new business opportunities.

We are transforming Maersk at a time, where our Ocean business has been challenged by weakening market fundamentals resulting in unsatisfactory financial results. We did not reach the earnings expectations we had at the beginning of the year, primarily due to the increase in bunker fuel prices having a negative impact during the first half of the year. Despite this, we have improved earnings and turned Maersk into a growth company again. Since 2016, we have added USD 12bn in revenue in the continuing businesses, a 43% increase, and have seen growth across all segments. In 2018 revenue grew 26% compared to the year before, and our net interest-bearing debt was significantly reduced.

United for growth

In 2018, the most profound step in our integration towards becoming one company was to simplify how our customers do business with us, by forming a new global frontline, which came into effect on 1 January 2019. We now have one sales team, one customer service team and one delivery organisation, covering our Ocean and Logistics & Services segments. By going to market in this way, we are taking steps to grow our non-Ocean activities and to better balance our business model.

We also took steps to integrate our support functions, such as IT/Technology, Finance, HR, Legal, Sustainability, Security and Corporate Communications, into global teams. By forming one team, as opposed to a separate team supporting each segment, these functions can provide more comprehensive services, while reducing costs.

In the first quarter of 2018, we changed our reporting structure to reflect that we are one company with one bottom line.

During 2017 and 2018, we realised more than USD 300m in savings by harvesting synergies across business segments mainly driven by closer collaboration between our Ocean segment and gateway terminals, further optimisation of our terminals and improved planning and utilisation of manufacturing capacity.

In December 2017, our acquisition of Hamburg Süd was approved, and during 2018 we consolidated both network and the operational organisations to deliver synergies, while maintaining two separate brands with two distinct value propositions for our customers. Aside from the benefits to the network, the acquisition has also enabled further utilisation of the terminals and benefits from joint procurement. Since the acquisition, we have realised USD 420m in synergies from Hamburg Süd and the expectation of synergies was therefore revised to a minimum of USD 500m by the end of 2019, from previously USD 350-400m.

Improving customer experience online and offline

Maersk's technological landscape is also transforming to help improve the customer experience and make our operations more efficient.

For ocean transport, the transactions have been digitised, enabling customers to do everything online; getting a price quote, booking and documentation. For many years, we have had the ambition to make it as simple to book a container as it is to book an airline ticket. By enabling our customers to self-serve on multiple platforms, with 24/7 availability, we are well on our way to achieving this goal, and today, maersk.com is one of the largest business-to-business transaction sites in the world with more than 35,000 daily users and close to 20,000 bookings a day. We continuously focus on developing an even deeper understanding of our customers´ online journey, so that we can add new functionalities and products to the site.

In 2018, we improved the schedule reliability of our network putting Maersk and Hamburg Süd back in the top quartile of the industry, and the work to deliver better customer service leaves us with an all-time high customer satisfaction score in our Ocean segment. We have a continuous focus on improving the reliability of our network.

Strengthening the foundations in our terminals and manufacturing locations

The actions we have taken to strengthen our fundamentals in our terminals and manufacturing locations are also showing results.

Our gateway terminals delivered solid volume growth of 11%, which is almost three times faster than the market growth. While the majority of that growth was from closer collaboration with the Ocean segment, including Hamburg Süd, we also grew above the market with external customers. Hub productivity was up by 9.7% compared to 2017, which means that hub productivity has now overall risen by 23% since the launch of the strategy in 2016.

In 2018, Maersk Container Industry reshaped its factory footprint by exiting the dry container business and closing two of three factories. By doing this, the business will build on its core strength of refrigerated equipment and focus on meeting the expectations of customers with increasingly complex needs around temperature controlled transportation.

New safety approach

The well-being of our employees is a top priority for me personally and for our company. Seven people lost their lives while working for A.P. Moller - Maersk in 2018. These losses sadden me deeply. No one should go to work for A.P. Moller - Maersk and not come home. The loss of seven lives in 2018 only reinforces our resolve to strengthen our safety approach, so fatalities can be avoided.

To ensure that we get closer to our aim of zero fatalities, we are implementing a different approach to safety, and a new corporate safety organisation. Our new safety approach will address three critical priorities, including leadership accountability, creating capacity for safe operations, and one safety culture. We are building on the solid measures we already have in place and involving the teams that are most at risk, to identify and ensure the right preventive actions are in place, thereby mitigating even more risks.

2019 focus: Accelerating our journey

With Maersk as one of the driving forces, the industry has done an excellent job over the past 30 years in reducing costs and barriers of global trade. We are truly enabling exporters to sell their products globally, and we are making it possible for importers to source parts or goods from the most competitive suppliers, no matter where they are in the world.

In 2018 revenue grew 26% compared to the year before, and our net interest-bearing debt was significantly reduced.

However, bringing cargo from one part of the world to another is still seen by our customers as a complex and unreliable process. We aim to deliver better reliability, more visibility and simplicity with our strategy: to become the global integrator of container logistics, connecting and simplifying our customers' supply chains. We will continue to leverage technology in the parts of the business that bring most value to the customer, and digital innovation remains key to offer customers a simple end-to-end solution.

I want to express my sincere gratitude for the incredible focus and hard work that all 80,000 colleagues at Maersk are putting into this challenging transformation.

For 2019, the listing of Maersk Drilling on Nasdaq Copenhagen will be high on the agenda, and I am confident that we will also find the right solution for Maersk Supply Service. At this stage, a warm thank you to all our colleagues in the energy businesses who have worked relentlessly under challenging circumstances and uncertainty on future perspective.

In 2019, we will continue to focus on improving results across the company while at the same time growing our Logistics & Services segment by expanding the product portfolio. We will continue our efforts to improve the customer experience across our products and pursue the technological transformation, and build on steps already taken to be one company with one culture. We will continue forging ahead, despite uncertainties in the current global macroeconomic outlook.

2018 was a year of execution to build the foundation for the new A.P. Moller - Maersk. 2019 will be the year of accelerating our transformation to set us up for long-term, profitable growth that will benefit all our customers and create shareholder value. •

Financial review 2018

A.P. Moller - Maersk reported strong revenue growth and a successful integration of Hamburg Süd, realising synergies faster and higher than expected. However, the financial performance at the beginning of the year was lower than expected, mainly due to the increase in bunker costs not fully recovered by increase in freight rates, resulting in a lower result than set in the initial guidance for 2018.

The year showed a strong cash conversion and a positive free cash flow from continuing operations. Net interest-bearing debt was significantly reduced due to the proceeds from the completion of the Maersk Oil transaction and subsequent partial sale of shares in Total S.A. and a lower CAPEX reflecting capital discipline.

Highlights for the year

USD million	Revenue 2018	Revenue 2017	EBITDA 2018	EBITDA 2017	CAPEX[1] 2018	CAPEX[1] 2017
Ocean	28,366	22,023	3,007	2,777	2,279	2,831
Logistics & Services	6,082	5,772	98	139	47	54
Terminals & Towage	3,772	3,481	778	639	556	704
Manufacturing & Others	2,547	1,689	59	173	16	23
Unallocated activities, eliminations, etc.	-1,748	-2,020	-136	-196	-22	-13
A.P. Moller - Maersk consolidated – continuing operations	**39,019**	**30,945**	**3,806**	**3,532**	**2,876**	**3,599**

[1] See definition on page 156.

Financial and operational performance

A.P. Moller - Maersk reported an increase in **revenue** of 26% to USD 39.0bn (USD 30.9bn), with growth in all segments. Non-Ocean revenue amounted to 32% (35%) of total revenue. The lower share of non-Ocean revenue was driven by the acquisition of Hamburg Süd contributing to Ocean revenue.

In Ocean, revenue increased by 29% to USD 28.4bn (USD 22.0bn), mainly due to the inclusion of Hamburg Süd. Excluding Hamburg Süd, revenue increased by 5.8% to USD 22.7bn (USD 21.5bn), positively impacted by an increase in the average freight rate of 1.9% to 1,816 USD/FFE (1,782 USD/FFE), volume growth of 2.5% to 11,003k FFE (10,731k FFE), and a 13% increase in other revenue.

In Logistics & Services, revenue increased by 5.4% to USD 6.1bn (USD 5.8bn), supported by higher intermodal volumes in inland haulage, volume growth from supply chain management and revenue growth in warehousing activities.

Revenue grew by 8.4% to USD 3.8bn (USD 3.5bn) in Terminals & Towage, mainly driven by higher volumes in gateway terminals from Ocean by 19% and external customers by 7.3%.

EBITDA was USD 3.8bn (USD 3.5bn), in line with the latest guidance of USD 3.6-4.0bn, with an increase in Ocean to USD 3.0bn (USD 2.8bn), where the revenue increase was offset by a 32% increase in the average bunker price, equivalent to an additional cost of USD 1.2bn, not fully recovered in the freight rates. A Hamburg Süd pro forma EBITDA of USD 618m (pro forma USD 554m) made a positive contribution. EBITDA was negatively impacted by integration costs from Hamburg Süd of USD 60m, and restructuring costs of USD 50m from merging the commercial front lines of Ocean and Logistics & Services.

EBITDA in Terminals & Towage increased by 22% to USD 778m (USD 639m), and decreased in Logistics & Services to USD 98m (USD 139m), mainly due to restructuring costs and timing of maintenance costs in Star Air. For Manufacturing & Others, EBITDA declined to USD 59m (USD 173m).

Synergies related to the strategic integration of the transport, logistics and port businesses as well as the acquisition of Hamburg Süd have generally been realised as planned. For the integration of transport, logistics and port businesses, synergies of around USD 321m have been realised since the end of 2016. The synergy realisation is mainly reflected in the collaboration between Ocean and gateway terminals, with reported like-for-like volume growth in the financially consolidated gateway terminals of 10%, with the Ocean segment growing 19% compared to external customers growing 7.3%. The integration of Hamburg Süd delivered synergies of USD 420m in 2018, mostly realised within procurement, network optimisation and increased volumes in gateway terminals operated by Maersk.

EBITDA was negatively impacted by an estimated USD 0.2bn from changes in foreign exchange rate.

EBIT was USD 627m (USD 641m), positively impacted by the improvement in EBITDA in Ocean and Terminals & Towage, but negatively affected by increased depreciation due to the inclusion of Hamburg Süd. Furthermore, EBIT was negatively impacted by impairments of USD 206m in Maersk Container Industry, and from the share of profit/loss in associated companies affected by impairments of USD 190m in the RORO business in 2018, where 2017 was affected by an impairment of USD 265m impacting the share of profit/loss in APM Terminals´ joint ventures.

Financial expenses amounted to USD 389m (USD 616m), positively impacted by net foreign exchange rate developments and dividends from the Total S.A. shares of USD 238m, offset by higher net interest expenses due to higher average debt during the year.

Net profit including discontinued operations was USD 3.2bn (loss of USD 1.2bn), positively impacted by an accounting gain of USD 2.6bn from the closing of the Maersk Oil transaction in 2018 and an impairment in Maersk Drilling of USD 1.75bn in 2017. The result for the continuing operations was a loss of USD 148m (loss of USD 194m).

The **underlying profit** for continuing operations after financial items and tax was USD 220m (USD 356m), which is in line with the latest guidance for 2018 of a positive underlying result.

ROIC for continuing operations of 0.8% (1.6%) is at an unsatisfactory level, and below the target of minimum 8.5%.

New financial reporting structure

The financial reporting structure changed for 2018 with new segments to reflect the strategic initiatives taken towards becoming the global integrator of container logistics. In addition, new financial and operational metrics were introduced to facilitate transparent insight into the performance of the various business activities. The segments comprise:

Ocean
With the activities of Maersk Liner Business (Maersk Line, Safmarine and Sealand – A Maersk Company) together with the Hamburg Süd brands (Hamburg Süd and Aliança) as well as strategic transshipment hubs under the APM Terminals brand. Inland activities related to Maersk Liner Business are included in the Logistics & Services segment.

Logistics & Services
With the logistics and supply chain management services, container inland services, inland haulage activities (intermodal), trade finance services and freight forwarding.

Terminals & Towage
Including gateway terminals, involving landside activities such as port activities where the customers are mainly the carriers, and towage services under the Svitzer brand.

Manufacturing & Others
Maersk Container Industry's activities within reefer containers, following the decision in January 2019 to exit the dry container business altogether, and other businesses.

Discontinued operations reported a profit of USD 3.4bn (loss of USD 970m), reflecting the accounting gain of USD 2.6bn from the Maersk Oil transaction. The gain comprises the original gain calculated as of 30 June 2017 of USD 2.8bn less the profit recognised in the period from 1 July 2017 until closing 8 March 2018 of USD 1.0bn, and the addition of locked box interest and the positive Total S.A. share price development totalling USD 0.8bn. The result in 2017 was negatively impacted by impairment losses net of USD 2.2bn relating to Maersk Drilling and Maersk Supply Service.

Maersk Drilling and Maersk Supply Service reported a profit of USD 561m (loss of USD 1.8bn), positively impacted by the cessation of depreciation from classification as discontinued operations, and a positive fair value adjustment in Maersk Drilling of USD 445m due to the improved market outlook and a negative fair value adjustment in Maersk Supply Service of USD 400m, while 2017 was negatively impacted by impairments of USD 2.2bn.

Cash flow from operating activities was USD 3.2bn (USD 3.1bn), equal to a cash conversion of 85% (88%) and driven by an increase in EBITDA of USD 274m, offset by the abolition of the export VAT scheme in Denmark, which had a negative one-off effect of USD 200m and higher tax paid, partly due to withholding tax on dividends received from the Total S.A. shares. Adjusted for the one-off related to the change in the VAT scheme, cash flow conversion would have been above 90%.

Gross capital expenditure (CAPEX) amounted to USD 2.9bn (USD 3.6bn), which is in line with the latest guidance for 2018 of around USD 3.0bn, mainly related to vessels ordered in previous years, containers in Ocean and development projects in Terminals & Towage. Free cash flow was USD 4.2bn (USD 1.3bn in 2017 excluding the acquisition of Hamburg Süd), positively impacted by the sale of Total S.A. shares of USD 3.0bn. Excluding the sale of the Total S.A. shares, the free cash flow was USD 1.2bn.

The contractual capital commitments for the continuing operations totalled USD 2.3bn (USD 3.9bn), of which USD 447m related to the newbuilding programme for vessels, etc. The remainder primarily relates to commitments towards terminal concession grantors.

Joint usage agreement with A.P. Møller Holding A/S

With the objective of further strengthening the value of the brands, A.P. Møller - Mærsk A/S has entered into a joint usage agreement with A.P. Møller Holding A/S regarding the use of commonly used trademarks which historically have benefited both A.P. Møller - Mærsk A/S and A.P. Møller Holding A/S.

A.P. Møller Holding A/S is the controlling shareholder of A.P. Møller - Mærsk A/S, and is wholly owned by A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal.

The joint usage agreement establishes a framework and a branding strategy for the commonly used trademarks and a joint brand board, where the parties can cooperate regarding the use of these trademarks.

A.P. Moller - Maersk reported an increase in revenue of 26% to USD 39.0bn (USD 30.9bn), with growth in all segments.

In total, USD 263m has been contractually committed for the installation of scrubbers and retrofitting on a selected part of the fleet as part of the plan to comply with the new sulphur regulations from January 2020. Continued CAPEX discipline remains a key focus area, with no new large vessel orders or new major terminal investments expected until at least 2020.

Capital structure and credit rating

Net interest-bearing debt for the continuing operations decreased to USD 8.7bn (USD 14.8bn), positively impacted by cash flow related to the cash proceeds of USD 2.0bn from the Maersk Oil transaction in Q1 2018, the sale of USD 3.0bn of Total S.A. shares in Q3 and Q4 2018, cash proceeds from the separation of Maersk Drilling of USD 1.2bn in Q4 2018, and positive operating cash flow during the year, partly offset by gross investments and the payment of dividends and financial costs.

Maersk made net repayments of USD 5.5bn for the full year 2018 and repaid USD 5.1bn in Q4 2018. Net repayments of bonds amounted to USD 2.3bn, driven by free cash flow generation during the year, including cash flow from the sale of Total S.A. shares.

With an equity ratio of 59.0% (49.7%) and a liquidity reserve of USD 10.3bn (USD 9.6bn), Maersk maintains a strong financial position.

Maersk issued EUR 750m eight-year bonds in the euro market in March 2018, its first bond issue since 2016, and concurrently re-purchased a total notional amount of EUR 500m of its two outstanding EUR bonds maturing in 2019. Towards the end of the year, Maersk bought back the entirety of its USD bonds maturing in 2019 and 2020 with a total notional amount of USD 1.25bn, and parts of the EUR bonds maturing in 2019 and 2021 with a total notional amount of EUR 817m, or USD 925m.

Maersk's average maturity of debt was about four years (about four years), and gross debt has been reduced from USD 17.5bn to USD 11.9bn.

Total equity was USD 33.4bn (USD 31.4bn), positively impacted by the accounting gain of USD 2.6bn from the Maersk Oil transaction. With an equity ratio of 59.0% (49.7%), and a liquidity reserve of USD 10.3bn (USD 9.6bn), due to an increase in cash, Maersk maintains a strong financial position.

As part of the Maersk Oil transaction on 8 March 2018, Maersk received 97.5 million shares in Total S.A. with a value of USD 5.6bn. A total of 51.25 million Total S.A. shares, generating a cash flow of USD 3.0bn, were sold in 2018. At 31 December 2018, the Total S.A share price was EUR 46.2 per share, equal to a total value of the remaining 46.27 million shares of USD 2.4bn. The value adjustments are recognised in equity as other comprehensive income, while dividends are recognised in the income statement under financial items, net.

In 2019, Maersk has sold Total S.A. shares for an aggregated amount of approx. USD 1.0bn, and retains 27.9 million shares in Total S.A. with a current market value of approx. USD 1.6bn.

Maersk Drilling's separate financing has released cash proceeds of approx. USD 1.2bn to Maersk in Q4 2018.

Maersk remains investment grade-rated, and holds a Baa3 (stable) rating from Moody's after being downgraded in November, and a BBB (credit watch negative) for a possible downgrade rating from Standard & Poor's.

Maersk remains committed to maintaining its investment grade rating.

Subject to maintaining an investment grade rating, it is still expected that:

- Maersk Drilling will be demerged via a listing on 4 April 2019, where shareholders of A.P. Møller - Mærsk A/S will receive shares in Maersk Drilling
- Following the demerger of Maersk Drilling, a material part of the value of the proceeds from the initially received Total S.A. shares will be distributed to the shareholders of A.P. Moller - Maersk in cash dividends and/or share buy-backs.

Further details related to the capital structure of A.P. Moller - Maersk and the distribution of the proceeds from the received Total S.A. shares will be announced at the latest in connection with the Q2 Interim Report in August 2019. •

Guidance for 2019

A.P. Moller - Maersk expects earnings before interest, tax, depreciation and amortisation (EBITDA) of around USD 5.0bn when including the effects from IFRS 16, and around USD 4.0bn when excluding the effects from IFRS 16. From Q1 2019, guidance for EBITDA will be based on IFRS 16.

The organic volume growth in Ocean is expected to be in line with the estimated average market growth of 1-3% for 2019. Guidance on gross capital expenditure (CAPEX) is around USD 2.2bn and a high cash conversion (cash flow from operations compared with EBITDA).

Maersk's guidance for 2019 is subject to considerable uncertainties due to the current risk of further restrictions on global trade and other factors impacting container freight rates, bunker prices and foreign rate of exchange. •

Sensitivities on guidance for 2019

The guidance of A.P. Moller - Maersk for 2019 depends on several factors. Based on the expected earnings level and all else being equal, the sensitivities for 2019 for four key assumptions are listed in the table below:

Factors	Change	Effect on EBITDA (next 12 months)
Container freight rate	+/- 100 USD/FFE	+/- USD 1.4bn
Container freight volume	+/- 100,000 FFE	+/- USD 0.1bn
Bunker price (net of expected BAF coverage)	+/- 100 USD/tonne	-/+ USD 0.6bn
Foreign rate of exchange (net of hedges)	+/- 10% change in USD	+/- USD 0.3bn

Implementing IFRS 16

(unaudited amounts)

The IFRS 16 accounting standard is effective from 1 January 2019 onwards. The new requirements in IFRS 16, entail that most leases recognise right-of-use assets and related lease liabilities, will have a material impact on the amounts recognised in the consolidated financial statements.

Implementation of IFRS 16 entails that almost all operating lease contracts will be recognised on the balance sheet. Operating leases for terminals, land, vessels, warehouses, buildings and other assets will be recognised on the balance sheet as right-of-use assets and lease liabilities. In the income statement, lease costs will not be recognised as operating costs, but as depreciation of the right-of-use assets and interest cost on the lease liability.

A.P. Moller - Maersk has adopted IFRS 16 on 1 January 2019 without reassessing the lease definition compared to that in the existing IAS 17 and IFRIC 4. Maersk has chosen to use the simplified (modified retrospective) approach with no restatement of comparative figures for prior periods.

A pro forma restatement of key figures for 2018 for Maersk and the segments is presented on page 16.

Impact on income statement and invested capital

Earnings before interest, tax, depreciation and amortisation (EBITDA) will be significantly higher than under the current accounting standards as a significant part of expenses related to operating leases are no longer included. For 2018, EBITDA increases by approx. USD 1.2bn to USD 5.0bn from USD 3.8bn.

Likewise, earnings before interest and tax (EBIT) will increase, but to a lesser extent due to higher depreciation costs as the asset base has increased. Therefore, EBIT increases approx. to USD 0.8bn from USD 627m.

Net profit will decrease slightly due to increased financial expenses. In 2018, the net loss for continuing operations increases to approx. USD 0.3bn from a loss of USD 148m. Assets will in the future be recognised for the right-of-use received, and liabilities will be recognised for the payment obligations entered for most leases. Adopting the new IFRS 16 accounting standard will not materially change the existing accounting rules for finance leases.

Furthermore, Maersk will not recognise right-of-use assets and lease liabilities of lease contracts with a maturity shorter than 12 months, or leases of low-value assets. For dry containers, which individually are below the low-value assets threshold, Maersk has chosen a portfolio approach where contracts with multiple containers will be treated as one contract, and a right-of-use asset will be recognised.

In container vessels, approx. 20% of its lease commitment matures within 12 months, thereby lowering the impact from IFRS 16. In hub and gateway terminals, most of the lease commitments (approx. 90%) are long-term concession agreements, which add approx. USD 2.2bn to the balance sheet.

Therefore, total borrowings increase by approx. USD 6.0bn to USD 17.9bn. Invested capital also increases by approx. USD 6.0bn to USD 49bn.

Net interest-bearing debt increases by approx. USD 6.0bn from USD 8.7bn to USD 14.7bn.

Cash flow from operating activities will be impacted, as EBITDA increases due to the operating leases being reflected in higher interest costs, which are included in cash flow from financing activities. Therefore, cash flow from operating activities increases by approx. USD 1.2bn from USD 3.2bn to USD 4.4bn.

Guidance for 2019

The guidance for 2019 is based on IFRS 16. From Q1 2019, the guidance will only be provided based on the new IFRS 16 accounting rules. •

Amounts in USD billion

Pro forma key figures based on IFRS 16 (unaudited)

Income statement	2018	Approx. IFRS 16 adjustment	2018 (IFRS 16)
Profit before depreciation, amortisation and impairment losses, etc. (EBITDA)	**3.8**	**1.2**	**5.0**
Depreciation, amortisation and impairment losses, net	-3.3	-1.0	-4.3
Profit/loss before financial items (EBIT)	0.6	0.2	0.8
Financial items, net	-0.4	-0.3	-0.7
Profit/loss before tax	0.2	-0.1	0.1
Profit/loss for the year – continuing operations	-0.1	-0.2	-0.3
Underlying profit/loss – continuing operations	0.2	-0.2	< 0.1
Balance sheet			
Total assets[1]	56.6	6.0	62.6
Borrowings (including lease liabilities)	11.9	6.0	17.9
Net interest-bearing debt	8.7	6.0	14.7
Invested capital[1]	43.2	6.0	49.2
Cash flow statement			
Cash flow from operating activities	3.2	1.2	4.4
Gross capital expenditure, excl. acquisitions and divestments (CAPEX)	2.9	-	2.9
Net cash flow for the period	1.0	-	1.0
Financial ratios			
EBITDA margin	9.8%		12-13%
Return on invested capital after tax – continuing operations (ROIC)[2]	0.8%		1.0-1.5%
Equity ratio	59.0%		53-54%

Ocean financial highlights	2018	Approx. IFRS 16 adjustment	2018 (IFRS 16)
Profit before depreciation, amortisation and impairment losses, etc. (EBITDA)	3.0	0.8	3.8
EBITDA margin (%)	10.6%		13-14%
Logistics & Services financial highlights			
Profit before depreciation, amortisation and impairment losses, etc. (EBITDA)	0.1	0.1	0.2
EBITDA margin (%)	1.6%		3.0-3.5%
Terminals & Towage financial highlights			
Profit before depreciation, amortisation and impairment losses, etc. (EBITDA)	0.8	0.2	1.0
EBITDA margin (%)	20.6%		26-27%
Manufacturing & Others financial highlights			
Profit before depreciation, amortisation and impairment losses, etc. (EBITDA)	0.1	<0.1	0.1
EBITDA margin (%)	2.3%		5.0-5.5%

[1] Total assets and invested capital balances are opening balances on 1 January 2019.
[2] Return on invested capital after tax – continuing operations is calculated based on invested capital excluding discontinued operations and the value of shares in Total S.A.

Amounts in USD million

Five-year summary

Income statement	**2018**	2017	2016	2015	2014
Revenue	39,019	30,945	27,266	30,161	34,806
Profit before depreciation, amortisation and impairment losses, etc. (EBITDA)	3,806	3,532	2,475	4,365	5,284
Depreciation, amortisation and impairment losses, net	3,325	3,015	2,495	2,391	2,730
Gain on sale of non-current assets, etc., net	144	154	190	391	505
Share of profit/loss in joint ventures	117	-131	130	147	29
Share of profit/loss in associated companies	-115	101	-55	97	416
Profit/loss before financial items (EBIT)	627	641	245	2,610	3,505
Financial items, net	-389	-616	-543	-452	-727
Profit/loss before tax	238	25	-298	2,158	2,778
Tax	386	219	171	225	509
Profit/loss for the year – continuing operations	-148	-194	-469	1,934	2,269
Profit/loss for the year – discontinued operations[1]	3,369	-970	-1,428	-1,009	2,925
Profit/loss for the year	3,221	-1,164	-1,897	925	5,195
A.P. Møller - Mærsk A/S' share	3,169	-1,205	-1,939	791	5,015
UNDERLYING PROFIT/LOSS – CONTINUING OPERATIONS:					
Profit/loss for the year – continuing operations	-148	-194	-469	1,934	2,269
Gain/loss on sale of non-current assets, etc., net	-144	-154	-190	-391	-505
Impairment losses, net	410	641	156	1	653
Transaction and integration cost	78	59	-	-	-
Tax on adjustments	24	4	7	9	162
Underlying profit/loss – continuing operations[2]	220	356	-496	1,553	2,580

Balance sheet	**2018**	2017	2016	2015	2014
Total assets	56,636	63,227	61,118	62,408	68,844
Total equity	33,392	31,425	32,090	35,739	42,225
Invested capital[3]	43,219	46,297	43,491	43,509	49,927
Net interest-bearing debt[3]	8,741	14,799	11,420	7,770	7,698
Investments in non-current assets – continuing operations	2,954	9,205	4,585	3,597	3,552

Cash flow statement	**2018**	2017	2016	2015	2014
Cash flow from operating activities[4]	3,225	3,113	1,593	4,398	5,040
Gross capital expenditure, excl. acquisitions and divestments (CAPEX)	2,876	3,599	1,998	3,507	3,428
Net cash flow from discontinued operations	3,421	1,251	503	226	1,806

Financial ratios[2]	**2018**	2017	2016	2015	2014
Revenue growth	26.1%	13.5%	-9.6%	-13.3%	2.6%
Revenue growth excl. Hamburg Süd	8,3%	11,5%	-	-	-
EBITDA margin	9.8%	11.4%	9.1%	14.5%	15.2%
Cash conversion	84.7%	88.1%	64.4%	100.8%	95.4%
Return on invested capital after tax (ROIC) – continuing operations	0.8%	1.6%[5]	0.5%	8.2%	8.4%
Return on equity after tax	9.9%	-3.7%	-5.6%	2.4%	12.3%
Equity ratio	59.0%	49.7%	52.5%	57.3%	61.3%

Stock market ratios	**2018**	2017	2016	2015	2014
Earnings per share – continuing operations, USD	-10	-11	-25	84	97
Diluted earnings per share – continuing operations, USD	-10	-11	-25	84	97
Cash flow from operating activities per share, USD	155	150	61	199	225
Ordinary dividend per share, DKK	150	150	150	300	300[6]
Ordinary dividend per share, USD	23	24	21	44	49
Share price (B share), end of year, DKK	8,184	10,840	11,270	8,975	12,370
Share price (B share), end of year, USD	1,255	1,746	1,597	1,314	2,021
Total market capitalisation, end of year, USD m	25,256	35,419	32,215	27,587	42,848

[1] Following the classification of Maersk Oil, Maersk Tankers, Maersk Drilling and Maersk Supply Service as discontinued operations in 2017, the businesses are presented separately on an aggregated level in the income statement, balance sheet and cash flow statements. In accordance with IFRS, the income statement and cash flow statement have both been restated in previous periods, while the balance sheet has not been restated in previous periods. The Maersk Tankers transaction was closed on 10 October 2017, and the Maersk Oil transaction on 8 March 2018.

[2] See definitions on page 156.

[3] Compared to prior periods, the definition of net interest-bearing debt has been adjusted to include the fair value of the derivatives hedging the underlying debt. Comparative figures have been restated.

[4] To better reflect the ability of the continuing operations to convert earnings to cash (cash conversion) and prepare for the upcoming implementation of IFRS 16 (leases) in 2019, payments related to financial items have been moved from cash flow from operating activities to cash flow from investing activities (dividends received) and cash flow from financing activities (net financial payments). Comparative figures have been restated.

[5] Excluding Hamburg Süd for comparison purposes at the end of December 2017.

[6] An extraordinary cash dividend equal to DKK 1,671 per share of nominal DKK 1,000 was declared in connection with the sale of Danske Bank A/S.

Market update

Growth in global container trade remained steady at 4.1% year-over-year in Q4 2018, and full-year 2018 growth ended at 3.7%, which was significantly weaker than the 5.6% recorded in 2017. Meanwhile, supply growth remained high at the beginning of the year, reflecting the many new vessels entering the market as well as the low levels of idling and the scrapping of older vessels, which led to declining freight rates in the first two quarters of 2018. Market fundamentals stabilised in the second half of 2018, as effective supply growth tapered off and freight rates began to increase, and industry profits picked up in Q3 2018 from subdued levels in the first half of 2018. Profits were negatively impacted by the increase in bunker costs, and which were not fully compensated for by increase in freight rates.

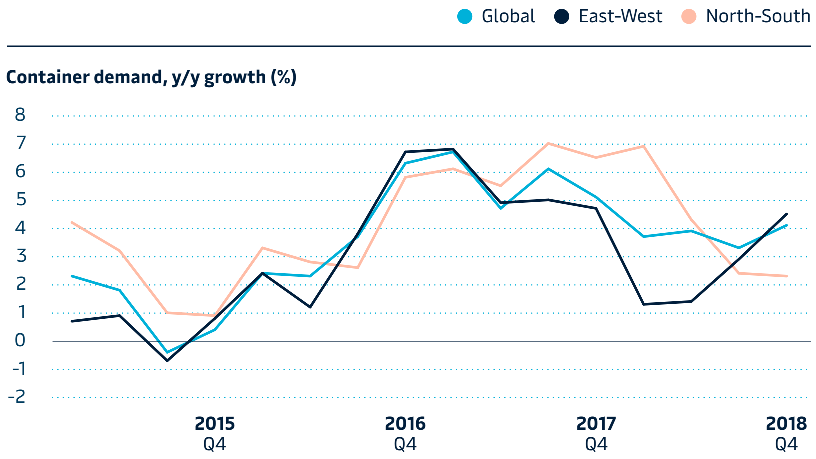
Market developments

East-West container trades grew by 2.6% in 2018 (Chart 1), as subdued trade flows in the first part of 2018 were counterbalanced by a growth acceleration to 4.5% in Q4 2018 compared to Q4 2017. The strong Q4 growth was driven by North American imports from the Far East of 10.8%, largely reflecting the front-loading of Chinese goods transport to the US in October and November to avoid the anticipated tariff rate increase on 1 January 2019, which was subsequently delayed. For 2018, North American imports from the Far East grew by 6.0%. European import growth from Asia remained moderate at 2.8% in Q4, in line with momentum in the European macro-economy, bringing total growth on this trade to 1.9% for 2018. Meanwhile, Asian imports from the US and Europe (East-West back-haul) declined in Q4 2018, largely because of the restrictions imposed by China on waste and scrap material imports, which kept volumes low for most of 2018, and led to a decrease of 1.7% for the full year of 2018. North-South container trades slowed to 2.3% growth in Q4, substantially lower than for the full year of 2018 with a growth of 3.9%. Latin American import growth had been strong in the first part of 2018, but a decline of 1.4% in Q4 was the main drag on North-South container trades. Growth of 3.4% for the full year reflected a closer alignment to domestic demand developments. Moreover, import growth in the Middle East and Indian subcontinent grew by only 1.7% in Q4, bringing total growth to 2.1% for 2018, while African imports grew 3.9% in Q4, and 5.8% for 2018. Finally, intra-regional trades posted solid growth of 5.5% in Q4, and 4.9% for the year.

The moderation in container demand growth in 2018 mirrors the slowdown in global macroeconomics and global export orders (Chart 2). The main risk to global container demand relates to a further cyclical slowing of the global economy. Emerging markets are particularly vulnerable to fluctuations in the US dollar and to economic developments in the US via their financial leverage. Moreover, a further escalation of the international trade tensions carries a significant risk to global trade. Finally, the outcome of the Brexit negotiations poses a risk to the UK's container trade.

Trade restrictions between the US and China sharply intensified in 2018, and the trade restrictive measures exposed nearly USD 440bn worth of traded goods in 2018, corresponding to around 2.6% of the global value of traded goods. During Q4 2018, the US administration decided to delay the increase of US tariffs on USD 200bn of Chinese import goods from 10% to 25% until March 2019, pending negotiations between the US and China. The negative effects on global trade from the trade restrictions remain to be

Chart 1: Global, East-West and North-South container imports



Source Internal Maersk
Note Global growth remained steady in Q4 2018, but was less than in 2017. East-West trade growth has increased during 2018, while North-South volume growth declined.

seen, but the combined effect of all trade restrictions introduced during 2018 is estimated to reduce global container trade growth by 0.3-1.0 percentage points per year in 2019-2020 if US tariffs are increased to 25% in March 2019, and by 0.2-0.5 percentage points per year if tariffs instead remain at current levels.

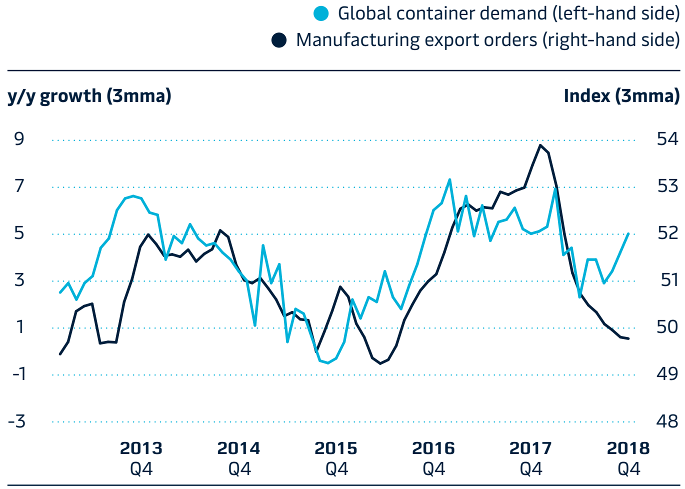
The global container fleet stood at 22m TEU at the end of 2018, 5.8% higher than at the end of 2017 (Chart 3). Deliveries amounted to 1,300k TEU (165 vessels) in 2018, with most deliveries occurring at the beginning of the year and only 184k TEU during Q4. Deliveries were dominated by vessels larger than 10k TEU. Hardly any vessels were scrapped in the first three quarters of 2018, but in Q4, 35 vessels were scrapped, bringing the total to 66 vessels in 2018, corresponding to 111k TEU. The low rate of scrapping in 2018 was linked to the small number of idled vessels, which in turn reflects the tight market for vessels below 7.5k TEU, which also supported time charter rates.

New vessel orders amounted to a decent 1,297k TEU in 2018 (215 vessels), probably reflecting the solid demand seen in recent years, and the very low amount of new orders in 2016 and 2017 of 292k TEU and 671k TEU, respectively. However, the level of new orders was very low in Q4 2018, at only 59k TEU, and the overall orderbook-to-fleet ratio remains relatively low at around 12%, well below the 2013-2017 average of 18%. According to Alphaliner, this means that the nominal global container fleet is set to grow by 4.0% in 2019.

The International Maritime Organization (IMO) has decided to implement a 0.5% sulphur cap on marine fuel from 2020 (IMO 2020). While the consequences for container vessel supply are difficult to forecast, it could very well lead to the retrofitting of a significant part of the global fleet during a three-to-five-year period beginning in the later part of 2019. Together with incentives to reduce vessel speed, this would likely reduce effective supply, potentially by up to 2.5% by 2021. Moreover, the spread between bunker and crude-oil fuel types could widen sharply, as early as from Q4 2019.

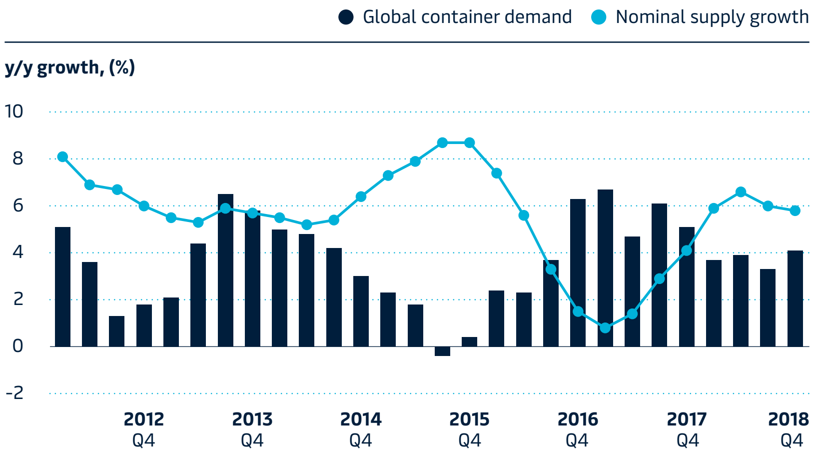
Freight rates, as measured by the China Composite Freight Index (CCFI), declined slightly by 1.0% in 2018, reflecting the substantial number of new vessels entering the market, mainly in the first part of the year (Chart 4). However, freight rates were 9.3% higher in Q4 2018 compared to Q4 2017, as only a few vessel deliveries came to the market, the number of idled vessels increased, and due to the extra demand growth on the Pacific trades

Chart 2: Global export orders and container demand



3mma 3 months moving average.
Source Demand is internal Maersk and Manufacturing export orders is IHS Market.
Note Survey of manufacturing export orders indicates a further slowdown of global container demand from the beginning of 2019.

Chart 3: Global container demand and nominal supply growth



Source Demand is internal Maersk and supply is Alphaliner.
Note While global demand growth exceeded global supply growth in 2018, supply growth was stronger than demand in 2018.

following the front-loading of US imports from China. Freight rates rose by 32% in Q4 on the Asia to West Coast US trade. Rates were stable on the Asia to North Europe trade, with an increase of 0.5%, while Asia to Mediterranean Europe trade increased by 14%. Uncertainties relating to the strength of container demand in 2019 pose a downside risk to freight rates in general, while uncertainties about supply, particularly relating to the impact of IMO 2020 sulphur regulations, present an upside.

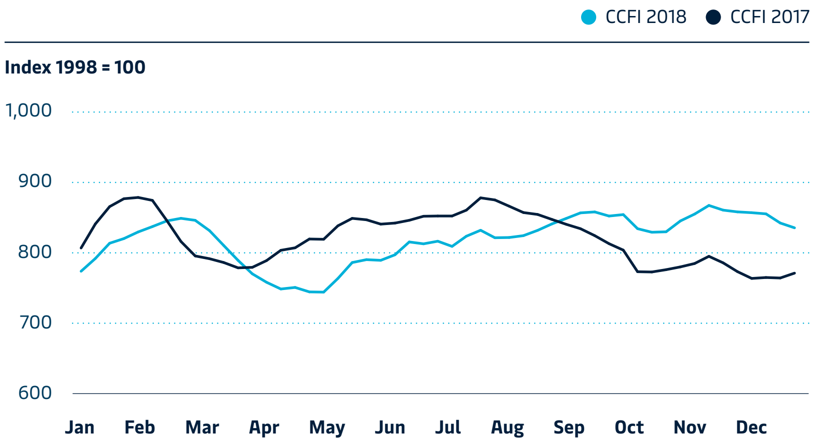
Time charter rates rose sharply in 2018 and peaked during the summer, reflecting a shortage of small and medium-size vessels, as noted earlier. More recently, time charter rates have come down on the back of the more moderate fundamentals. In Q4 2018, time charter rates declined by 12% compared to Q3 2018, but remained elevated. Clarksons´ time charter rate index increased by 8.8% compared to Q4 2017, down from a growth rate of 38% in Q2 2018.

Rotterdam bunker prices increased 31% in 2018 compared to 2017, reflecting a steady increase during Q1 to Q3 2018 followed by a decrease in Q4 of 6.0% compared to Q3 2018. Nevertheless, Q4 2018 bunker prices remained 19% higher than in Q4 2017. Forward markets indicate that bunker prices will decline by 4% in Q1 2019 compared to Q4 2018. Thereafter, forward markets project a further 13% decline in bunker prices by Q4 2019, compared to Q4 2018. The anticipated decline is driven by a weaker outlook for crude oil prices and a wider bunker-crude oil spread, reflecting the market's view of the impact of the IMO 2020 sulphur regulations on demand for high sulphur bunker fuels.

The US dollar was on average 1.9% stronger against the euro in Q4 2018 compared to Q3 2018. The US dollar has on average been 4.5% weaker in 2018 than in 2017 (Chart 5).

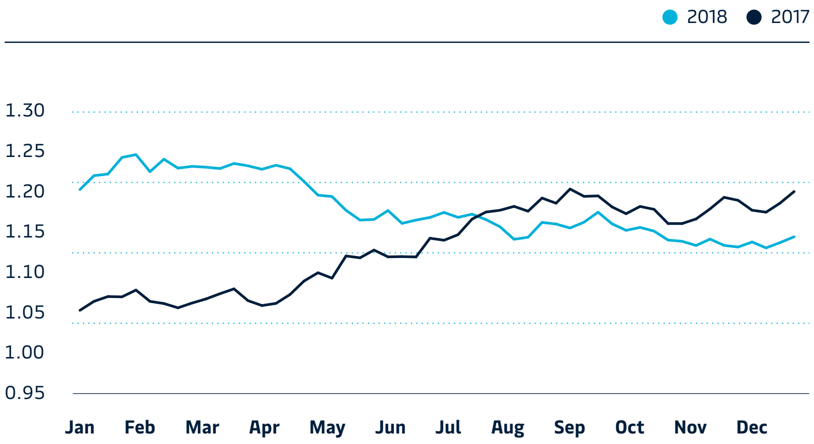
The growth outlook for global container trade is projected to deteriorate further to 1-3% in 2019.

Chart 4: Freight rates



Source CCFI, Shanghai Shipping Exchange.
Note Freight rates remained stable in the latter part of 2018, and ended up higher towards year-end than in 2017.

Chart 5: USD-EUR exchange rate



Source Thomson/Reuters.

The other transport and logistics markets, outside the ocean industry, were in broad terms impacted by the dynamics and market drivers that also steered the ocean industry. However, in the container port industry, structural challenges from the cascading of large container vessels, reinforced carrier alliances and increased point-to-point services combined with ongoing capacity increases in many ports continue to weigh on the industry. The increased load on the terminals is triggering requirements for upgrades of the terminal infrastructure, equipment, manning and planning capabilities, leading to more capital expenditure and operational cost, but lower utilisation. At the same time, carriers are looking for ways in which to reduce their terminal costs, which have become the biggest single cost item.

Solid growth in global trade volumes in 2017 and 2018 has supported the broader logistics segment. However, there is variation across the segment. Gross margins in the freight forwarding market remain under structural pressure from digital offerings. Freight forwarders are attempting to mitigate these pressures by selling value-added services on top of basic freight forwarding products and by developing their own digital offerings to be competitive against new entrants. Contract logistics, a fragmented market, has seen solid demand for fulfilment activities from the booming e-commerce segment. Supply chain management also grew robustly with a few focused players increasing value added services through digitalised offerings. •

Structural outlook for global trade

The world economy is experiencing structural changes that could affect the outlook for global trade over the next 10-20 years.

The rapid rise of Global Value Chains (GVCs) has been an important driver of global trade growth, but emerging evidence suggests that the international fragmentation of production has lost momentum. For instance, the global container trade to GDP multiplier has declined to around 1.2 (see chart below).

The reasons are manifold, but can be grouped into two broad categories:

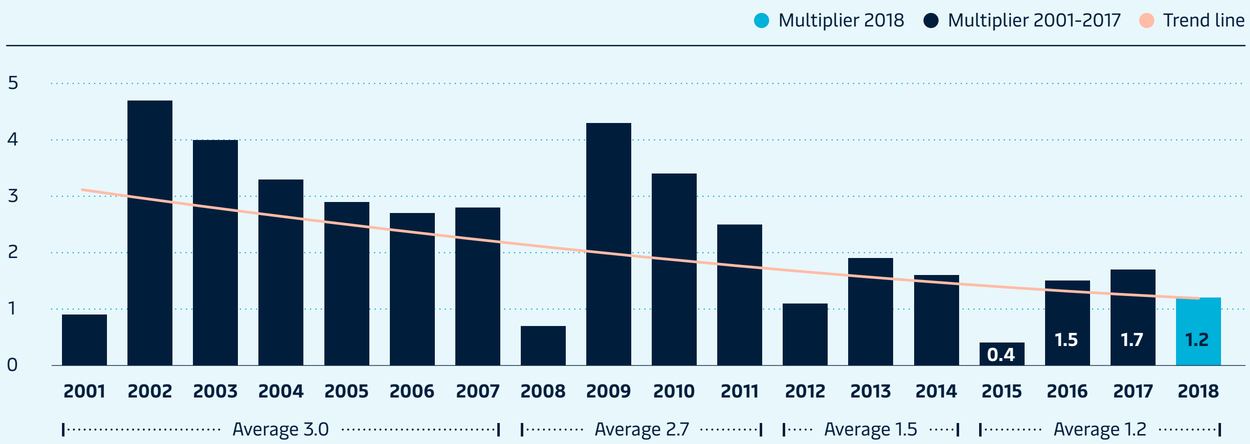
1. factors that supported GVC expansion which are now declining, and
2. new factors that are negatively impacting GVCs.

For example, rising wage costs in some emerging economies and the digitalisation of production could restore the competitiveness of mature economies, thereby discouraging further offshoring while encouraging the reshoring or nearshoring of production. Alongside the hidden costs of lengthy supply chains (including the costs of protecting proprietary knowledge), the need to balance cost efficiency with risk diversification (including rising barriers to trade) and the cost of internalising the environmental impact of international transport may increase the effective cost of international trade. If these trends persist, they will re-shape the future evolution of GVCs.

Estimating the impact of these trends on global trade patterns is complex and subject to significant uncertainties. The OECD has simulated how GVCs may evolve under different scenarios. This foresight exercise suggests that global trading patterns could change materially over the coming decades, and under certain assumptions could see global trade struggling to increase its current share of global output.

It is worth noting that even under these circumstances, global container volumes would increase by 18-23m FFEs over the next 10 years (assuming low global GDP growth of 2.0-2.5% per annum). This is equivalent to a new Maersk Line and Hamburg Süd entering the container market. In addition, the container industry is engaged with counteracting the above trends by radically reducing the complexity and effective cost of container trade by offering end-to-end integrated container services and reducing the environmental footprint of international trade. Not only will this positively affect the economics and robustness of GVCs, it will make international markets more accessible to small and medium-sized companies across the world. Maersk is at the forefront of these initiatives. The strategy section of this report explains the specific actions that are being taken to enable the growth of international trade and to increase the future resilience of the business model.

Global GDP multiplier



The A.P. Moller - Maersk business

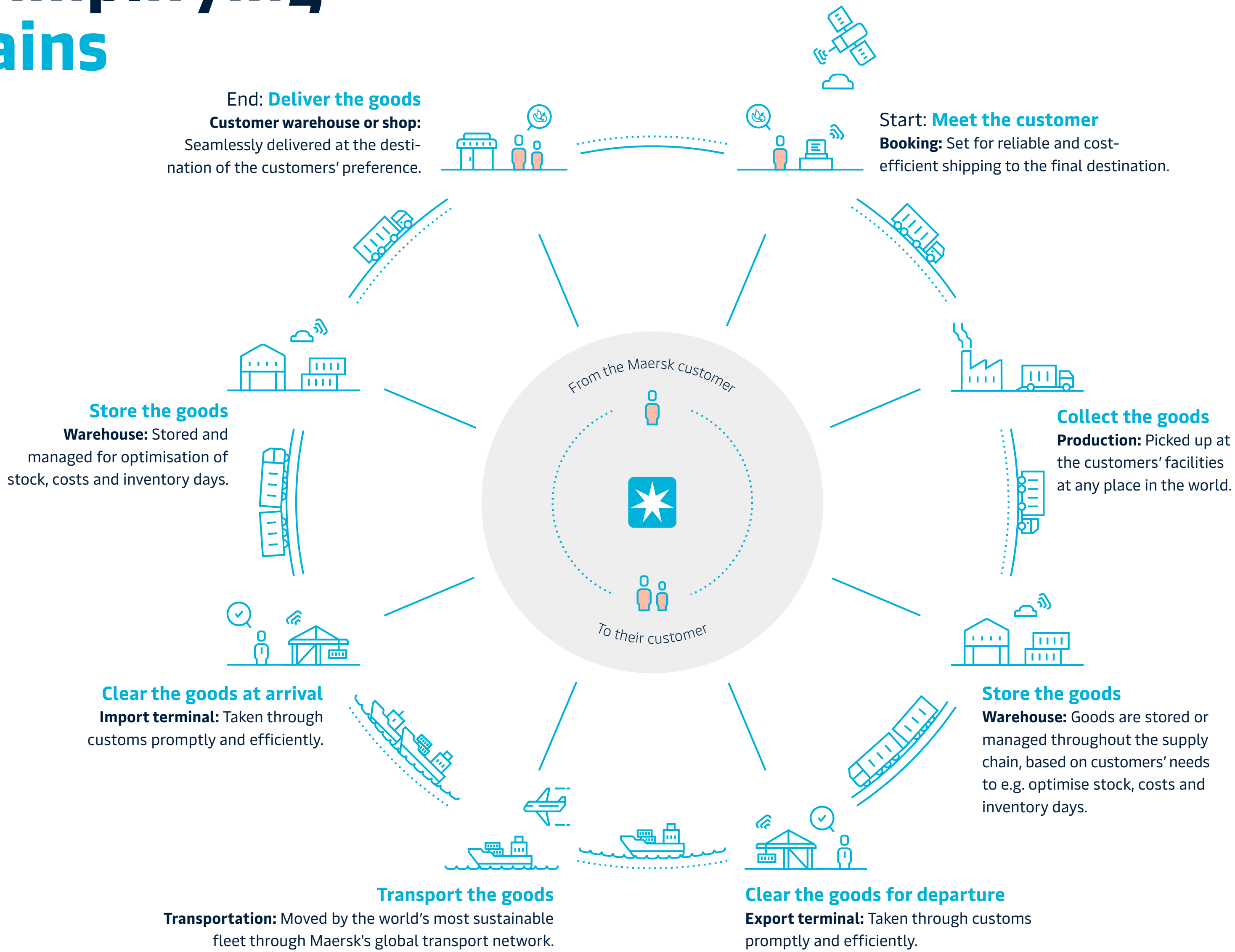
- Business model
- Strategy
- Risk management

Business model

Connecting and simplifying global supply chains

A.P. Moller - Maersk enables its customers to trade and grow by transporting goods anywhere.

Maersk works to provide customers with a simple end-to-end offering of products and services, seamless customer engagement and a superior end-to-end delivery network, taking the complexity out of global supply chains.



Strategy

A.P. Moller - Maersk is in the process of transforming itself from being a conglomerate to becoming the global integrator of container logistics, providing customers with end-to-end supply chain solutions. Significant steps have been taken on this journey already, including the integration of the Transport & Logistics businesses and Hamburg Süd, the successful separation of Maersk Oil and Maersk Tankers, as well as the announcement of Maersk Drilling's separate listing in 2019. Efforts are continually being made to find the best solution for Maersk Supply Service, although the timing is difficult to predict.

Considerable progress in building the new Maersk as one integrated container logistics company has already been made in several key areas, including the integration of Hamburg Süd, delivering synergies, improved customer satisfaction, as well as important steps in the digitisation journey. Moreover, changes to the Ocean and Logistics & Services organisations have been introduced with the One Maersk initiative, joining the front lines of the two, which came into effect on 1 January 2019. A transformation of this magnitude takes time, and Maersk is continuously working on and tracking the progress of the transformation.

Delivering synergies

A total of more than USD 300m in synergies from the integration of existing businesses has been realised in 2017 and 2018. These mainly comprise operational synergies from increased collaboration between the container shipping and terminal businesses, thus increasing utilisation in the terminals, as well as joint production planning between the Ocean and Manufacturing & Others segments. Furthermore, both commercial and cost synergies from increased collaboration within the Terminals & Towage segment are expected.

The commercial synergies have yet to be delivered, and the merging of the Ocean and Logistics & Services front lines as of 1 January 2019 will kick-start the delivery of these synergies, focusing on selling end-to-end supply chain solutions to customers, while Damco freight forwarding will remain as a separate entity in the Logistics & Services segment. The guidance of being able to realise up to USD 600m in synergies, both operational and commercial, is maintained. The synergies were expected to be realised by 2019. However, the fact that commercial synergies are being kick-started in 2019, the full synergies are now expected to be realised in 2020.

The integration of Hamburg Süd is progressing ahead of plan, showing progress in network optimisation, synergies with APM Terminals and procurement, with realised synergies at a level of around USD 420m in 2018. Synergy expectations were revised up to a minimum of USD 500m by the end of 2019, from initially USD 350-400m.

Realised and expected synergies from the integration of Hamburg Süd, USD million

Customer experience and the digitisation journeys

It should be as easy to ship a container across the world as it is for costumers to send a parcel, which, however, is not the case today. Changing the way in which container logistics is currently handled and leading the way in the digitisation of the industry are important steps towards this transformation, and holds considerable potential for improving the customer experience.

Digitisation of various parts of the business model plays a vital role in this, and will benefit customers in terms of ease of use and user-friendliness. Considerable progress on the digitisation of the customer experience has already been taken, for instance quote automation, Self-Service Instant Booking (SSIB), an online self-service platform, moving sales online, Remote Container Management (RCM), and digitising the paper trails related to moving a container, to name a few. Additionally, the One Maersk initiative will integrate the customer experience across multiple products, increase the number of products and services available online, and provide customers with increasing visibility and actionability on their shipments.

Twill, a multicarrier platform, constitutes the digital effort to bring the full end-to-end supply chain solution online, where customers can book, manage and monitor their shipments with the click of a button. Significant growth was realised in 2018 on the Twill platform as volumes more than quadrupled. Twill is currently active in 27 countries, with two more countries coming online at the beginning of 2019.

TradeLens, which provides the necessary infrastructure for sharing documents across the supply chain, and thereby reducing complexity for the customer as well as for suppliers, is an example of another project that is contributing to the process of disposing of many of the underlying manual and paper-based processes in the container logistics

Supply chain

Global integrator of container logistics – connecting and simplifying Maersk customers' supply chains

industry. Moreover, Maersk is increasing its digitisation of assets, as exemplified by RCM, as well as by experimenting with the increased traceability of dry cargo.

Maersk strives to put the customer in the centre, and has taken significant steps to improve the customer experience in 2018. Schedule reliability perfomance has improved, placing Maersk Line and Hamburg Süd back in the top quartile in the industry. Continuous efforts are being made to improve reliability. Moreover, improving invoice quality and issue resolution has been high on the agenda in 2018, and considerable progress has been made as customer satisfaction, as measured by the Net Promoter Score, increased to an all-time high in 2018. Despite the progress on customer satisfaction, there is still room for improvement, and therefore Maersk will relentlessly pursue the continuous improvement of the customer experience to realise its ambition of making shipping a container as easy as shipping a parcel across the world.

Tracking the transformation

Maersk is transforming from a conglomerate into becoming one integrated container logistics company, working to achieve a more balanced split of revenue as well as earnings. The ambition for 2023 is to balance the earnings level between the Ocean and non-Ocean segments. Four key metrics have been defined for tracking the transformation in a structured manner, showing the progress externally.

Key metrics to track the transformation

4

1. Non-Ocean revenue growth

2. Logistics & Services' gross profit growth

3. Realisation of annual synergies worth approx. USD 1.0bn in total by 2019

4. Cash return on invested capital (CROIC)

As part of becoming the global integrator of container logistics, focus on growing the non-Ocean business is vital, so revenue growth in non-Ocean will be pursued. This will reduce the dependency on freight rates and increase growth in higher and more stable margin business. Terminals & Towage, part of the non-Ocean segment, currently provides a steadier cash flow than the Ocean segment, and will continue to optimise the portfolio and improve profitability.

With increasing focus on servicing customers with end-to-end supply chain solutions worldwide, growth in Logistics & Services' gross profit is being targeted, although, organic growth alone will not generate sufficient growth to realise the 2023 ambitions. Hence, inorganic growth may be required in the form of bolt-on acquisitions to build the capabilities needed in various parts of the Logistics & Services segment and to harvest synergies across the supply chain.

Finally, the strategic plan will be pursued while exercising strict capital discipline, and Maersk has committed to no new large vessels being ordered until at least 2020 as well as no new large terminal projects, while new dry containers will increasingly be leased rather than bought. Focus will thus be on less capital-intensive growth, and on the ability to generate free cash flow to ensure returns to shareholders and investments to support the strategic direction. Following the implementation of IFRS 16, the long-term target for return on invested capital (ROIC) is above 7.5%. •

Risk management

Transforming A.P. Moller - Maersk to become the global integrator of container logistics is a complex process which carries multiple risks. It is essential that risks associated with the transformation, and risks inherent to the business activities are managed effectively to keep the potential financial and reputational impact of such risks within acceptable levels.

Effective risk management is key to growing sustainably in an increasingly volatile and uncertain business environment. Several initiatives have been launched to further strengthen the risk management process e.g. by improving board and management oversight and by driving accountability for the management of key risks.

The Board of Directors is responsible for overseeing risk management. The Board of Directors determines the framework for managing risks, including risk appetite. The Audit Committee monitors the execution of the risk management processes and the management of key risks. The Executive Board is responsible for overseeing day-to-day risk management.

Risk management process

Each year, the Executive Board establishes the key risks to the business plan. In preparation for the discussions in the Executive Board, a comprehensive risk assessment takes place. The Executive Board appoints a risk owner (an Executive Board member) for each key risk to oversee the management of the risk, including the preparation and execution of mitigation action plans. Once the plans for the management of the risks have been finalised, the risk owner presents and discusses such plans with the Executive Board and the Audit Committee in designated deep dive risk sessions.

The risk management function monitors the status of each key risk, including the progress and effect of the mitigation action plans, and summarises the status in quarterly reports to the Executive Board. Where the progress of mitigating actions is falling behind schedule, or where mitigating actions are not achieving the effect they were designed to have, the report will highlight this so that corrective action can be taken.

The latest risk assessment was carried out in the second half of 2018, and identified nine key risks that may have a significant impact on the business plan, including on earnings, financial position, and the achievement of other strategic objectives.

A.P. Moller - Maersk risk management process

Key risk analysis for 2019

The key risks to realising the 2019-2023 business plan and the mitigation activities deployed are described in the following.

Business transformation

The risk is that the transformation of A.P. Moller - Maersk into a growth company supported by a digital business model with an integrated end-to-end (E2E) product offering does not materialise as envisaged due to a lack of business agility to anticipate and respond to the external developments and internal challenges.

To support and coordinate the business transformation in the next coming years several teams and new processes across the organisation have been established to drive the transformation.

IMO 2020

Currently, there are no compliant low-cost fuels that fulfil the global Sulphur regulation (IMO 2020) requirements coming into force from 2020. The existing compliant fuels, as well as new fuels being developed, are expected to cost substantially more than current High Sulphur Fuel Oil bunkers, implying substantial fuel cost increases in 2020. Installing scrubbers on vessels will enable today's lower cost fuels to be used, but will, on the other hand, require substantial capital expenditure. The risk is that the increased costs relating to the implementation of and compliance with the IMO 2020 requirements cannot be recovered from customers.

Multiple commercial and operational mitigating initiatives are being pursued.

Cyber security

As Maersk becomes increasingly digitalised, more devices and control systems are connected online, resulting in a bigger interface across the IT infrastructure that could be compromised. A successful cyber-attack within this wider attack surface could result in major operational disruption and/or data breaches leading to major financial loss.

It is a strategic priority to continue to improve cyber security through the cyber security plan that was launched after the cyber-attack in 2017.

Freight rates

The risk is that freight rates collapse because of global trade deceleration and a resulting structural decline in demand for containerised transportation. Also, that new export orders in the US, EU and China slow down because of e.g. lower GDP and trade wars.

While Maersk is relatively well positioned to deal with the risk, it remains highly exposed to freight rates until a more diversified and balanced business has been established through expansion of the non-ocean activities. Having limited leverage over the overall demand for container shipping the key factors to mitigate risk from development in freight rates are to diversify the activities into logistics and maintain industry cost leadership.

Each year, the Executive Board identifies the key risks to the business plan. In preparation for the discussions in the Executive Board, a comprehensive risk assessment takes place.

Capital structure

One of the strategic priorities is to grow Logistics & Services organically and inorganically (i.e. through M&A activities). There is a risk that Maersk will not be able to do so due to a lack of available funds and increasing cost of capital.

Maersk remains committed to separating the energy businesses and maintaining an investment grade rating. That includes initiatives to stabilise and improve the level of earnings and effective capital discipline.

Technology transformation

Maersk's transformation implies having a vision to connect and simplify customers' supply chains. There is a risk that Maersk will not achieve its vision due to misalignment between the transformation strategy of the Technology organisation and Maersk's business transformation strategy.

Mitigation includes upskilling of the Technology organisation.

Business model disruption
The risk entails that Maersk loses the customer relation due to its inability to secure a digitally based competitive advantage in Liner operations and logistics; and/or value chain re-configuration in transport and logistics away from Liner-to-Beneficiary Cargo Owner contact.

Maersk is transforming its business model to become truly customer-centric and digital and through that create simplified E2E offerings, provide a superior delivery network and ensure seamless customer engagement.

New Maersk product
A.P. Moller - Maersk is creating one commercial organisation to grow Logistics & Services and expand its product offering to customers. The risk is that customers are not willing to buy more products from Maersk, or that Maersk is unable to sell more products to customers, resulting in a failure to grow the business as planned.

A.P. Moller - Maersk has established one integrated commercial team across Ocean and Logistics & Services.

Human Resources
A.P. Moller - Maersk might fail to successfully deliver on its transformation objectives due to the lack of functional capabilities and behaviours required to transform the businesses and to deliver on the new strategy. The risk is mainly related to logistics, digital and the creation of 'One Maersk'.

A.P. Moller - Maersk has intensified the investments in employee capability and engagement.

Follow-up on 2018 risks

During the year, the focus has been on successfully mitigating the risks associated with the Hamburg Süd integration, improving schedule reliability and the customer experience and protecting the quality of the Maersk balance sheet in times of transformation.

The integration of Hamburg Süd is progressing according to plan, and with synergies above expectations. The Net Promoter Score improvements are evidencing higher customer satisfaction, and the gross and net debt levels have been reduced significantly, while A.P. Moller - Maersk remains an investment grade-rated company.

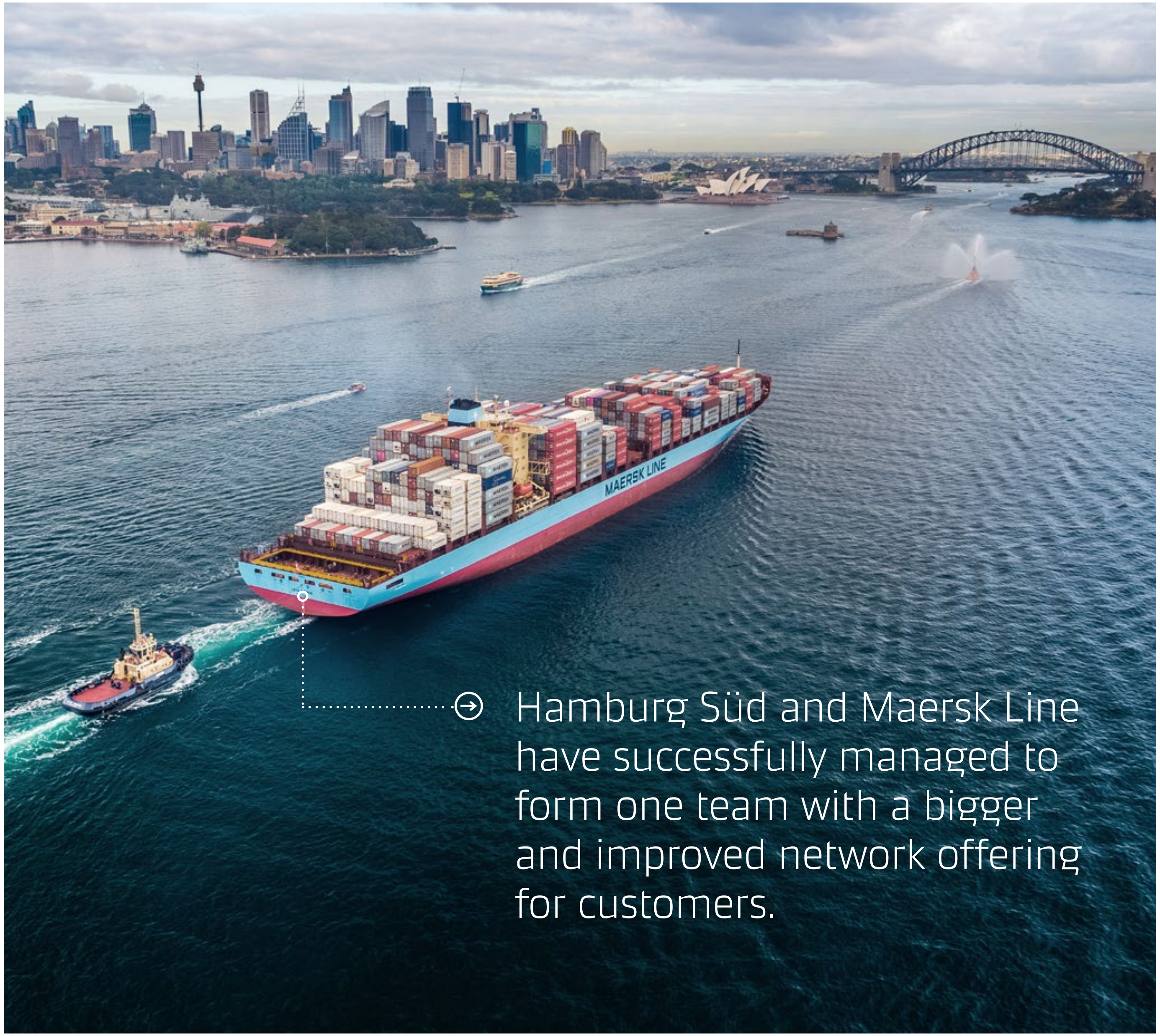
Business portfolio risks

The business portfolio is increasingly exposed to fluctuations in freight rates following the separation of the energy businesses and the addition of Hamburg Süd. The Ocean segment remains the biggest marginal earnings volatility contributor, and completing the separation of the energy businesses will increase the effect even further. It remains a strategic priority for Maersk to reduce its dependency on freight rates and to grow adjacent businesses to reduce earnings and cash flow volatility. •

Performance 2018

Segment review
Ocean
Logistics & Services
Terminals & Towage
Manufacturing & Others
Discontinued operations

Sustainability



Ocean

Ocean reported an increase in revenue of 29% to USD 28.4bn (USD 22.0bn) with volume growth of 22% (2.5% excluding Hamburg Süd). The average bunker price increased by 32%, equal to 92 USD/FFE, while the average freight rate increased by 5.1% (1.9% or 34 USD/FFE excluding the Hamburg Süd rate impact). Unit cost at fixed bunker was 3.6% higher than in 2017, partly because of the effects of Hamburg Süd´s portfolio mix and negative foreign exchange rate developments. EBITDA was USD 3.0bn (USD 2.8bn).

In the first half of 2018, bunker prices increased, the US dollar was weak and there was a high imbalance between supply and demand, mainly due to a high number of new deliveries and a limited number of scrappings. The freight rate development did not follow the increasing bunker price, and Maersk implemented an emergency bunker surcharge during the second half of 2018. The freight rates recovered slightly along with a better balance between supply and demand in the second half of the year.

The integration of Hamburg Süd delivered synergies of USD 420m in 2018, which were mostly realised within procurement, network optimisation and increased volumes in gateway terminals operated by Maersk.

Financial and operational performance

Revenue increased by 29% to USD 28.4bn (USD 22.0bn), driven by a 22% increase in volumes to 13,306k FFE (10,939k FFE), an average freight rate increase of 5.1% to 1,879 USD/FFE (1,788 USD/FFE) as well as increases in other revenue, mainly due to demurrage and detention. The volume increase was primarily driven by the inclusion of Hamburg Süd, which also contributed positively to the increase in freight rates and other revenue, mainly because of demurrage and detention.

North-South and Intra-regional trades accounted for most of the increase in volumes, largely because of Hamburg Süd's position in these markets. Headhaul volume grew 20% and backhaul increased 24%, mainly due to the inclusion of Hamburg Süd. The volume growth excluding Hamburg Süd of 2.5% was driven by headhaul growth of 2.5% and backhaul growth of 2.6%. Due to a profitability focus including a capacity target of around 4m TEU in the second half of the year, the full-year volume growth of 2.5%, excluding Hamburg Süd, was lower than the estimated market growth of around 3.5-4.0%. The overweight presence on North-South and Asia-Europe, which had a lower growth than the Asia-US and Intra-Asia growth, partly made the overall growth lower than

Loaded volumes

FFE ('000)	**2018**	2017	Change	Change %	Change %, excl. HSÜD
East-West	4,186	3,805	381	10.0	2.3
North-South	6,450	5,320	1,130	21.2	1.3
Intra-regional	2,670	1,814	856	47.1	6.8
Total	**13,306**	**10,939**	**2,367**	**21.6**	**2.5**

Average freight rates

USD/FFE	**2018**	2017	Change	Change %	Change %, excl. HSÜD
East-West	1,860	1,801	59	3.3	1.8
North-South	2,078	1,983	95	4.8	2.7
Intra-regional	1,478	1,254	224	17.9	2.1
Total	**1,879**	**1,788**	**91**	**5.1**	**1.9**

Ocean highlights

USD million	**2018**	2017
Revenue	28,366	22,023
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	3,007	2,777
EBITDA margin	10.6%	12.6%
Gross capital expenditure, excl. acquisitions and divestments (CAPEX)	2,279	2,831
Operational and financial metrics		
Other revenue, including hubs (USD m)	3,441	2,547
Loaded volumes (FFE in '000)	13,306	10,939
Loaded freight rate (USD per FFE)	1,879	1,788
Unit cost, fixed bunker (USD per FFE incl. VSA income)	1,815	1,752
Hub productivity (PMPH)	81	73
Bunker price, average (USD per tonne)	424	321
Bunker cost (USD m)	5,042	3,341
Bunker consumption (tonne in '000)	11,894	10,395
Average nominal fleet capacity (TEU in '000)	4,115	3,456
Fleet, owned (end of period)	355	339
Fleet, chartered (end of period)	355	442

Ocean segment
Ocean includes the ocean activities of Maersk Liner Business (Maersk Line, Safmarine and Sealand – A Maersk Company) together with the Hamburg Süd brands (Hamburg Süd and Aliança), as well as strategic transshipment hubs under the APM Terminals brand (Rotterdam, Maasvlakte II, Algeciras, Tangier, Tangier-Med II (under construction), Port Said and the joint ventures Salalah, Tanjung Pelepas and Bremerhaven). Inland activities related to Maersk Liner Business are included in the Logistics & Services segment.

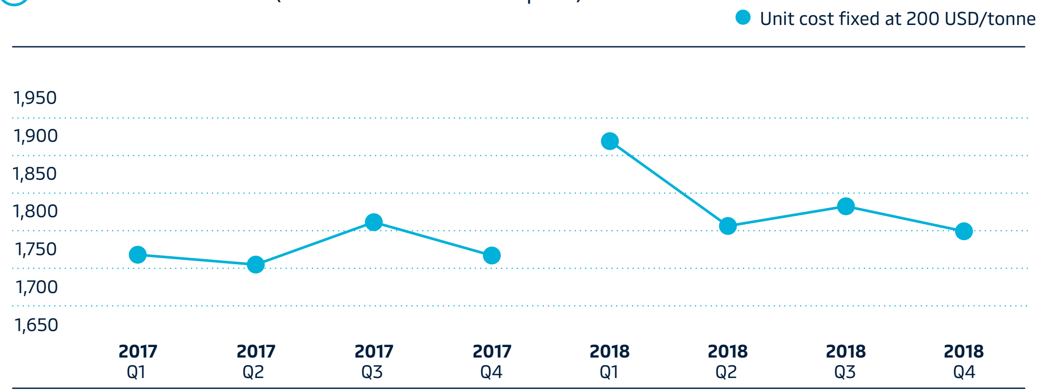
global growth. Despite an overall slowdown in growth towards the end of the year, volumes from Asia to the US increased ahead of the anticipated import tariff increases from 1 January 2019 as part of the trade restrictions between the US and China.

The increase in the average freight rate of 5.1% or 91 USD/FFE was positively affected by the inclusion of Hamburg Süd, which has a different trade mix compared to Maersk Line, especially on the intra-regional trades. The average freight rate excluding Hamburg Süd increased by 1.9% or 34 USD/FFE. The increase was supported by the implementation of the emergency bunker surcharge in June 2018 on the back of the increases seen in the bunker prices throughout the year. The increased demand in the second half of the year from Asia to the US affected the freight rates positively on the transpacific trades.

Freight revenue increased by 28% from USD 19.5bn to USD 24.9bn, mainly driven by the inclusion of Hamburg Süd and increased volumes. Other revenue increased by 35% to USD 3.4bn (USD 2.5bn), mainly driven by higher demurrage and detention, although from low levels during the cyber-attack in 2017, one-offs in 2018 and positive rate of exchange effects, along with positive contributions from the inclusion of Hamburg Süd. Excluding Hamburg Süd, other revenue increased by 13% to USD 2.8bn, mainly due to increased demurrage and detention.

Unit cost at fixed bunker of 1,815 USD/FFE increased by 3.6% compared to 2017, partly

Unit cost at EBIT level (based on a fixed bunker price)



Unit cost at fixed bunker price was 3.6% above 2017, partly due to the inclusion of Hamburg Süd, which has a different portfolio mix to Maersk Line. Unit cost at fixed bunker price has been negatively affected by a weaker US dollar, along with the inclusion of Hamburg Süd in 2018. Compared to a 2017 pro forma unit cost at fixed bunker, the unit cost at fixed bunker increased by 0.5% adjusted for a negative foreign rate of exchange impact.

The integration of Hamburg Süd delivered synergies of USD 420m in 2018.

Key initiatives in 2018

New guidelines on the stowage of dangerous cargo were implemented on the back of the devastating fire in one of the cargo holds on the container vessel **Maersk Honam**. The fire was a seminal event for Maersk, after five colleagues sadly lost their lives. A study of the fire showed that all international regulations and requirements were adhered to, hence new guidelines and procedures for dangerous goods stowage were needed to mitigate the inadequacy of the rules. A further review of all international regulations and requirements covering the carriage and stowage of dangerous goods is currently taking place together with industry partners, and the results will be presented to the International Maritime Organization (IMO) to implement best management practices in the industry regarding dangerous cargo.

Different initiatives were implemented during 2018 to improve the customer experience, e.g. by reducing the complexity of shipping a container. As an example, the introduction of the instant booking confirmation allows customers to complete bookings within seconds. This is an improvement from previous procedures with waiting times of up to two hours. The initiatives have had a positive effect on customer satisfaction, which has improved from quarter to quarter throughout the year. Furthermore, the next steps towards improving the customer experience and becoming the global integrator of container logistics were announced in September by bringing the commercial organisations of Maersk Line and Damco supply chain services together to serve customers as One Maersk, starting 1 January 2019.

It was further announced that Maersk aims to achieve net-zero CO_2 emissions by 2050, and will initiate an open and collaborative dialogue with all possible parties to tackle the climate changes together. Amongst others, this involves new carbon-neutral vessels, which are due to be commercially ready by 2030.

By January 2020, the new global low sulphur bunker fuel regulations (IMO 2020) will come into force. To prepare for this, a total of USD 263m has been contractually committed for investing in scrubbers and retrofitting to be installed on selected vessels. Scrubbers form one element of the Maersk 2020 fuel sourcing strategy, while most of the fleet will rely on compliant low sulphur fuels when the regulation starts. To cover the estimated extra fuel costs, which could exceed USD 2bn per year following the new bunker regulations, a new Bunker Adjustment Factor (BAF) was announced. This is designed to balance fluctuations in fuel costs while also enabling customers to predict, plan and track how changes in fuel prices impact their total freight rates.

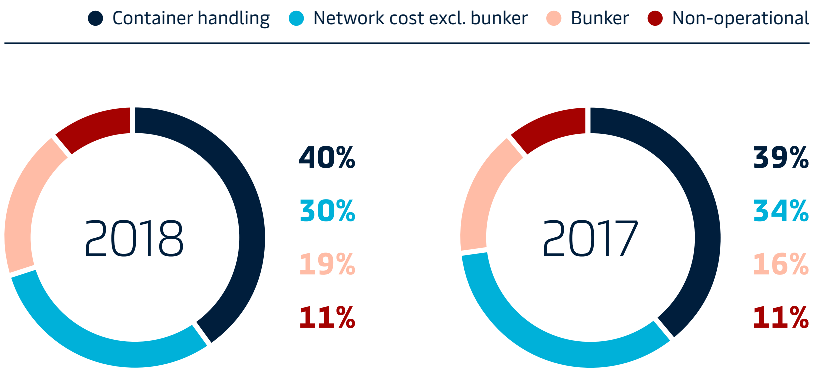
Status first year integration of Hamburg Süd

Hamburg Süd and Maersk Line joined forces on 1 December 2017, and the two companies have successfully managed to form one team, with a bigger and improved network offering to customers, amongst others by sharing best practices, resources and strengths. The benefit of the model of keeping Hamburg Süd as a commercially independent company has been seen in the high customer retention and high customer satisfaction rates.

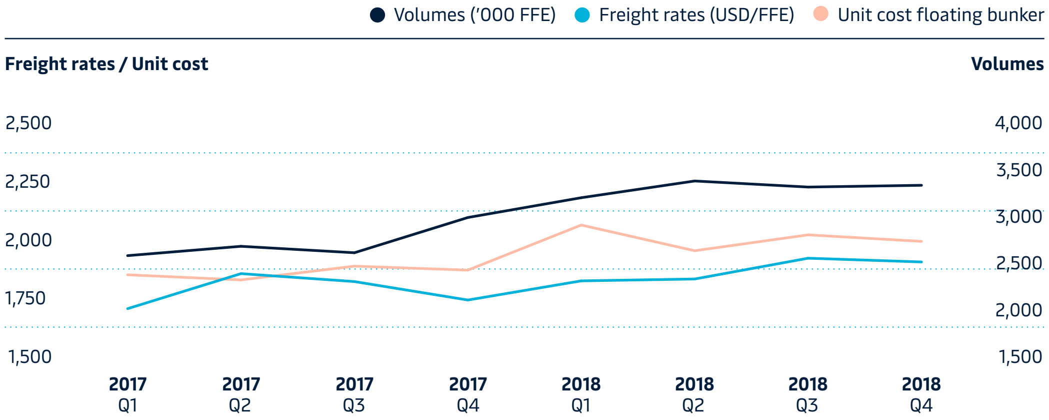
In the first year, the integration progressed better than initially planned with total synergies of USD 420m in 2018. The synergies were slightly higher than the latest upgraded guidance from Q3 2018 of up to USD 400m. The synergies have been realised mostly within procurement, network optimisation and increased volumes in gateway terminals operated by Maersk. Additionally, customer retention has been better than planned, and further synergies are expected in 2019. Total synergies are expected to amount to minimum USD 500m by 2019, excluding integration costs.

Hamburg Süd contributed with volumes of 2,303k FFE in 2018 (pro forma 2,343k in 2017) and pro forma EBITDA of USD 618m (pro forma USD 554m), adjusted for internal slot charter following the transfer of vessels and equipment from Hamburg Süd to the wider Ocean network. The total integration cost was USD 60m in 2018, in line with the guidance of less than USD 100m.

Cost split, EBITDA level



Average volumes, freight rates and unit cost (floating)



Volumes increased by 22% to 13,306k FFE (10,939k FFE) in 2018, mainly due to the inclusion of Hamburg Süd. The average freight rate increased by 5.1% to 1,879 USD/FFE (1,788 USD/FFE), positively affected by Hamburg Süd's different trade mix and a tighter supply and demand in the second half of 2018 along with the introduction of the emergency bunker surcharge. Unit cost at floating bunker was 7.9% above 2017, mainly driven by a 32% increase in the average bunker price. The freight rate increases did not absorb the increased bunker prices.

due to a change in the portfolio mix following the inclusion of Hamburg Süd and negative rate of exchange effects of 0.6%. Compared to an estimated pro forma 2017 unit cost at fixed bunker of 1,794 USD/FFE, had Hamburg Süd been part of Maersk since 1 January 2017, the unit cost at fixed bunker would have increased by 0.5% adjusted for negative rate of exchange effects. The main drivers of the increase were an unsatisfactorily high unit cost in Q1 2018 and low organic volume growth in the second half of 2018 driven by a focus on margin improvement.

Total unit cost at 2,015 USD/FFE (1,867 USD/FFE) was 7.9% higher than in 2017, negatively impacted by a 32% increase in the average bunker price or 92 USD/FFE. Bunker price volatility was significant in 2018, with high sulphur fuel in Rotterdam at around 360 USD/tonne in Q1, peaking at around 480 USD/tonne in October and closing the year at around 310 USD/tonne. Due to the drop in bunker price at the end of the year, it was decided to discontinue the emergency bunker surcharge on most trades, while being phased out gradually on the remaining trades towards the end of Q1 2019. Overall, the higher bunker prices, along with the higher consumption due to the inclusion of Hamburg Süd's volumes, resulted in a total bunker cost increase of 51% to USD 5.0bn (USD 3.3bn) compared to 2017. Out of the total increase of USD 1.7bn, USD 1.2bn was

Unit cost at fixed bunker adjusted for negative rate of exchange effects increased by 0.5% compared to pro forma 2017 (1,794 USD/FFE).

due to the higher average bunker price, while the remaining increase was due to higher consumption from the inclusion of volumes from Hamburg Süd, partly offset by a 5.9% improvement in bunker efficiency per loaded FFE of 894 kg/FFE (950 kg/FFE). The bunker efficiency, measured in bunker fuel grams/TEU times nautical mile, of 44.2 was an improvement of 2.9% compared to 2017. The previously announced new Bunker Adjustment Factor (BAF) is expected to cover fluctuations in the bunker prices from 1 January 2019 for volumes shipped on long-term contracts.

The number of port moves per hour in hub terminals was 80.6, which was 9.7% better than in 2017. Throughout the year, steady improvements were made to increase efficiency, mainly on the back of operational synergies between the hub terminals and Maersk Liner Business and efficiency initiatives that gradually materialised. Rotterdam and Maasvlakte II in the Netherlands improved the most compared to 2017.

EBITDA was USD 3.0bn (USD 2.8bn), with a full-year contribution from Hamburg Süd compared to one month in 2017; however, the cyber-attack affected performance in 2017. The EBITDA margin of 10.6% was 2.0 percentage points below 2017, mainly because the increase in bunker prices was not compensated for in the freight rates. Additionally, the bunker price increase along with the inclusion of Hamburg Süd changed the cost base split compared to 2017. Container handling and equipment increased slightly to 40% of the total cost base (39%), while improvements in network costs decreased their contribution from 34% in 2017 to 30% in 2018. Bunker cost increased by 2.4 percentage points to 19% of the total cost base, while non-operational costs including SG&A were unchanged at 11%.

The fleet consisted of 355 own vessels and 355 chartered vessels at the end of 2018. The average nominal capacity continued to decrease throughout the year, ending at an average of 4,115k TEU for the full year, which was 19% higher than in 2017, mainly due to the inclusion of the Hamburg Süd fleet. The fleet ended the year at 4,009k TEU, and was in line with the target of around 4m TEU, which continues into 2019. Idle capacity was 78k TEU (five vessels) at the end of 2018, compared to 31k TEU (four vessels) at the end of 2017. The idle capacity corresponds to approx. 14% of the total idle capacity in the market. Five Baltic Feeder vessels, four 14k TEU vessels and five 19k TEU vessels were delivered in 2018. No deliveries took place in Q4, as a Baltic Feeder vessel delivery was postponed into Q1 2019. Two Baltic Feeder vessels, three 14k TEU vessels and one 19k TEU vessel remain to be delivered by Q2 2019. The new vessels will replace older and less efficient vessels. One vessel was scrapped in 2018. No new orders of large vessels will be made before 2020, at the earliest. •

Fleet overview, year-end

	TEU		Number of vessels	
	2018	2017	**2018**	2017
Own container vessels				
0 – 2,999 TEU	124,911	125,281	64	64
3,000 – 4,699 TEU	365,811	343,751	90	84
4,700 – 7,999 TEU	369,037	321,854	61	52
8,000 – 11,499 TEU	771,982	847,232	85	93
11,500 – 14,999 TEU	109,494	109,494	9	9
15,000 – 17,499 TEU	246,496	185,448	16	12
> 17,500 TEU	572,480	469,640	30	25
Total	**2,560,211**	**2,402,700**	**355**	**339**
Chartered container vessels				
0 – 2,999 TEU	388,314	463,887	189	240
3,000 – 4,699 TEU	290,950	339,628	74	85
4,700 – 7,999 TEU	272,428	395,913	45	67
8,000 – 11,499 TEU	289,467	313,176	31	34
11,500 – 14,999 TEU	207,168	211,522	16	16
Total	**1,448,327**	**1,724,126**	**355**	**442**
Total fleet	**4,008,538**	**4,126,826**	**710**	**781**
Newbuilding programme (own vessels)				
3,000 – 4,699 TEU	7,192	25,172	2	7
> 8,000 TEU	66,246	229,990	4	13
Total	**73,438**	**255,162**	**6**	**20**

Significant new customer wins were secured throughout the year due to intensified and focused solution sales activities.

Logistics & Services

Logistics & Services reported a 5.4% increase in revenue to USD 6.1bn (USD 5.8bn), driven by supply chain management, warehousing and distribution activities as well as intermodal, whilst gross profit increased by 5.6% to USD 1.1bn (USD 1.0bn). EBITDA was USD 98m (USD 139m), negatively impacted by restructuring costs and the timing of maintenance costs in Star Air, only partly offset by improved results from supply chain management and inland activities.

Volumes grew by 8.2% in supply chain management and by 4.0% in intermodal as partnerships with several top clients deepened and new customer wins with broader service scope were secured. Furthermore, the solution sales pipeline in supply chain management grew significantly.

Financial and operational performance

Revenue increased by 5.4% to USD 6.1bn (USD 5.8bn), mainly due to higher volumes in intermodal, supply chain management as well as warehousing and distribution activities. Gross profit increased by 5.6% to USD 1.1bn (USD 1.0bn), implying a gross profit margin of 18% (18%), mainly supported by supply chain management, warehousing and distribution, other value-added services, as well as continued focus on margins in Ocean and Airfreight. However, partially offset by higher maintenance costs in Star Air and higher operational costs in intermodal. EBITDA decreased by 29% to USD 98m (USD 139m), with an EBITDA margin of 1.6% (2.4%) and an EBIT conversion ratio of 6.1% (14.5%), negatively impacted by restructuring costs in Damco of USD 21m and timing of maintenance costs in Star Air of USD 24m. Furthermore, EBITDA was impacted by higher warehousing and distribution costs, customer implementations and increased labour costs. Adjusted for the restructuring costs, the EBITDA margin would have been 1.9% and the EBIT conversion ratio 7.9%, which is still at an unsatisfactory level.

Logistics & Services segment
The Logistics & Services segment comprises five main activities:

Supply chain management activities, where Maersk manages the customers' supply chain.

Inland activities are operating activities in inland service facilities with the main revenue stream being container storage, bonded warehousing, empty depot and local transportation.

Intermodal refers to all operating activities under Maersk Line, Safmarine and Sealand – A Maersk Company, brands with the main revenue stream, coming from the transportation of containers from vendors (shippers) to the port of shipment, and from the discharge port to the point of offloading (consignee) by truck and/or rail.

Freight forwarding with air and sea freight continuing to operate in a non-integrated way under the Damco brand name.

Other services includes warehousing, distribution and other value-added services as well as trade finance, which is providing export finance solutions as well as post-shipment and import finance solutions.

Logistics & Services highlights

USD million	2018	2017
Revenue	6,082	5,772
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	98	139
EBITDA margin	1.6%	2.4%
Gross capital expenditure, excl. acquisitions and divestments (CAPEX)	47	54
Operational and financial metrics, USD million		
Gross profit	1,097	1,039
EBIT conversion (EBIT/gross profit - %)	6.1%	14.5%
Ocean volumes (TEU)	639,132	664,448
Airfreight volumes (tonne)	75,309	69,574
Supply chain management volumes ('000 cbm)	175,502	206,208
Ocean revenue	646	666
Airfreight revenue	608	659
Supply chain management revenue	867	778
Intermodal revenue	2,569	2,388
Inland activities revenue	595	589
Other services revenue	797	692

Revenue increased by 5.4% to USD 6.1bn mainly due to higher volumes in intermodal and supply chain management.

The cyber-attack on 27 June 2017 significantly affected the business in the second half of 2017 with a negative impact on margins. The explanations on developments year-over-year must be seen in this context.

Supply chain management revenue increased to USD 867m (USD 778m), supported by volume growth of 8.2% to 75,309 kcbm (69,574 kcbm), positively impacted by new customer wins. Gross profit increased to USD 347m (USD 303m), supported by higher volumes and increasing margins of 7.0% to 4.6 USD/cbm (4.3 USD/cbm). Due to ramp-up IT costs, profitability is subdued in the short-term, but is expected to improve over time.

Inland activities revenue was USD 595m (USD 589m), with a gross profit of USD 258m (USD 263m). Adjusted for the divestment of Pentalver in May 2017, revenue grew by 10%.

Key initiatives in 2018

During the year, Twill has changed its brand affiliation from Damco to Maersk, which will make it possible to offer Twill to all customers, in line with the strategy of becoming a global integrator of container logistics offering end-to-end solutions. Furthermore, Twill was rolled out in 27 countries with instant quote availability on all port-port trade lanes within these countries. The first door-to-door bookings were made in Q4 on the Twill online platform. Customer retention remains very high at around 80%, with more and more customers signing up for Twill directly via the online channels.

For Logistics & Services, significant new customer wins were secured throughout the year due to intensified and focused solution sales activities. To cater for the additional business, the warehousing and distribution footprint was expanded significantly with the addition of a six-building logistics campus within the Los Angeles industrial market.

The new facility supports the commitment to servicing growing customer demand for last mile logistics space in the Los Angeles market.

Inland activities continued to expand the business across Latin America, Africa and Europe, including a new cold chain facility in India and a dedicated block train connection in Chile.

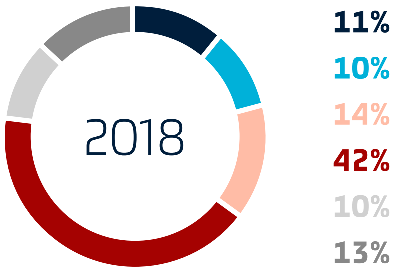
For intermodal, several new corridors were added throughout the year to the most important inland markets in Africa, India and China to unlock the inland growth potential in these markets.

Logistics & Services will further improve collaboration with customers via the accelerated co-development of solutions and lead digital innovations, including Twill, offering simple shipping to small and medium-sized companies. This will be further reinforced by merging Logistics & Services' and Ocean's commercial organisations as of 1 January 2019.

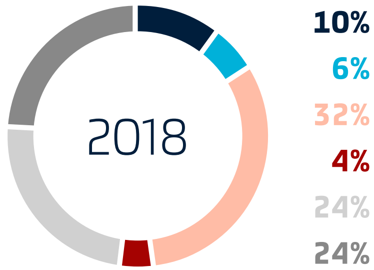
Activity overview

● Ocean ● Air ● Supply chain management ● Inland haulage ● Inland activities ● Other services

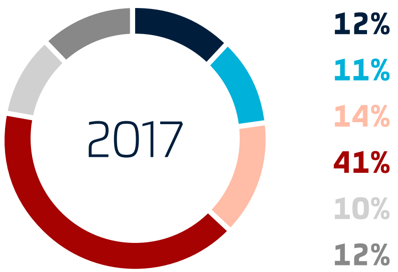
Revenue, %



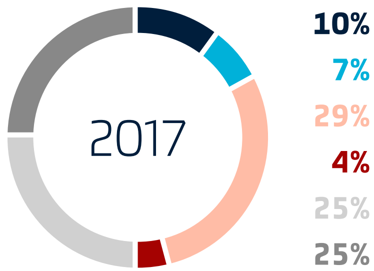
Gross profit, %



Revenue, %



Gross profit, %



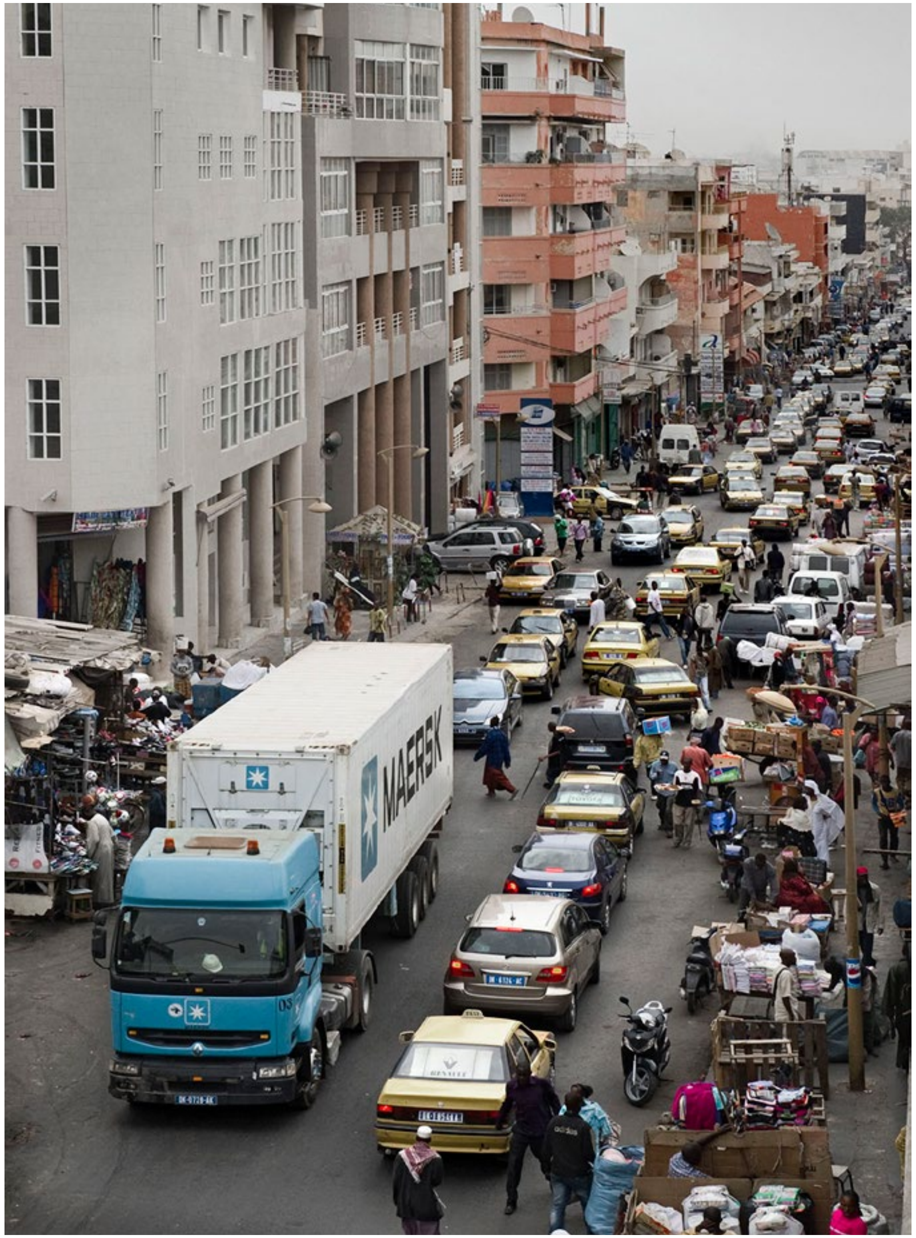
The commercial organisations of Logistics & Services and Ocean merged on 1 January 2019.

Intermodal revenue increased by 7.6% to USD 2.6bn (USD 2.4bn), driven by higher volumes in India and Africa and by higher volumes and rates in European and Latin American markets. Gross profit increased to USD 46m (USD 39m), driven by portfolio expansion in line with the strategy. During 2018, there were also contingencies in Europe, mainly in the UK, and trucking strikes in Brazil, which adversely affected costs.

Ocean freight forwarding revenue was USD 646m (USD 666m) due to a volume decrease of 3.8% to 639k TEU (664k TEU); however, gross profit increased to USD 115m (USD 109m) due to improved margins. Margins grew by 9.8% to 180 USD/TEU (164 USD/TEU), supported by improved pricing and procurement.

Airfreight forwarding revenue was USD 608m (USD 659m) with volumes at 176k tonnes (206k tonnes), mostly due to an ongoing customer deselection process and an overall slow-down of the airfreight market, not least in China. Gross profit increased to USD 70m (USD 68m), reflecting higher margins. Margins increased by 20% to 396 USD/tonne (331 USD/tonne).

EBIT conversion ratio of 6.1% (14.5%) decreased mainly due to restructuring costs in Damco, the timing of maintenance costs in Star Air, and lower profitability in inland activities. The lower profitability in inland services was mainly driven by 2017 being positively impacted by the divestment of Pentalver with a gain of USD 35m, and higher operational costs. Star Air was negatively impacted by the timing of maintenance costs. The EBIT conversion ratio for 2018 of 6.1% is unsatisfactory. •



Terminals & Towage

Terminals & Towage reported an increase in revenue of 8.4% to USD 3.8bn (USD 3.5bn), and an increase in EBITDA of 22% to USD 778m (USD 639m). The results in gateway terminals were driven by higher volumes from Ocean and external customers as well as cost per move reductions. Higher volumes in towage were due to increased activities in the Americas and Australia.

In Terminals, the closer collaboration with Ocean and the 19% growth in volumes from Maersk Line and Hamburg Süd were further supported by 7.3% volume growth from external customers, positively impacted by a net of 15 new contracts won. For Towage, activity increased in the Americas, in both Argentina and Brazil, driven by new customers in ports entered during 2018, and additional volumes and market share in the ports entered in 2017. In Australia, volumes improved due to higher commodity exports and improved market share for harbour towage.

Terminals & Towage reduced CAPEX in 2018. Gateway reduced CAPEX by USD 200m of which USD 146m was from increased capital discipline and USD 54m from lower CAPEX in terminals under construction. CAPEX in Towage amounted to USD 120m (USD 147m).

Terminals

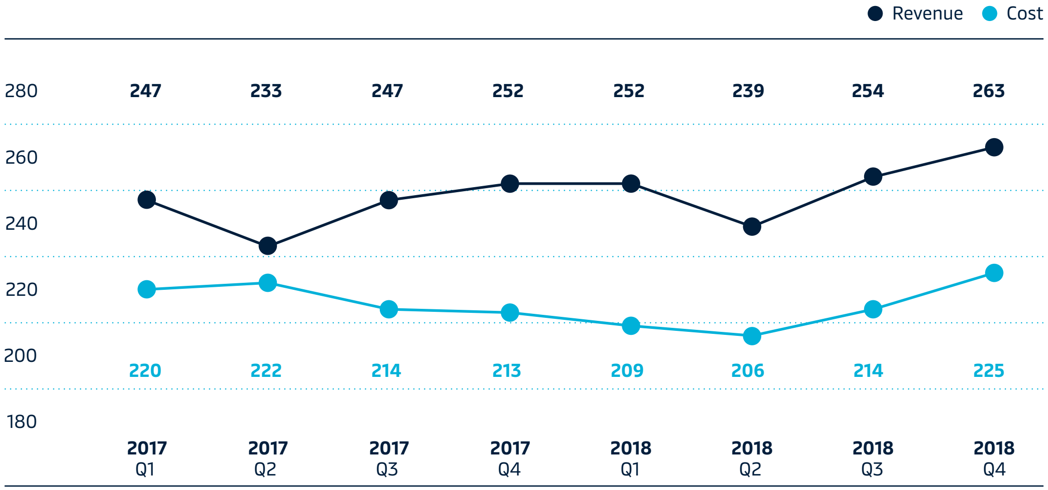
Financial and operational performance

Revenue increased by 9.4% to USD 3.1bn (USD 2.8bn), and EBITDA increased by 28% to USD 567m (USD 442m). The volume in moves (volumes are financially consolidated if not stated otherwise) grew by 11%, while gross capital expenditure was reduced to USD 450m (USD 650m). Terminals under construction progressed according to plan, and Moin, Costa Rica, had its first vessel call in 2018.

The volume growth of 11%, 10% like-for-like, was above the estimated market growth of around 3.5-4.0% and driven by closer collaboration, with Ocean volumes growing 19%, 15% like-for-like. The volumes from external customers grew by 7.3%, 7.6% like-for-like, supported by net 15 new contracts won (26 won and 11 lost), with a net impact of 1.3m annualised moves. Other commercial initiatives include the successful implementation of a digital customer solution in Bahrain, and in Onne, Nigeria.

Volume growth was also supported by ramp-up in new terminals in Lazaro Cardenas, Mexico, and in Puerto Quetzal, Guatemala. On an equity-weighted basis, volume in moves grew 9.1%, 7.4% like-for-like.

Revenue and cost per move, financially consolidated, Terminals, USD



Terminals & Towage highlights

USD million	2018	2017
Revenue	3,772	3,481
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	778	639
EBITDA margin	20.6%	18.4%
Gross capital expenditure, excl. acquisitions and divestments (CAPEX)	556	704
Operational and financial metrics		
Terminal volumes – financially consolidated (USD)	11.4	10.2
Ocean segment	4.1	3.5
External customers	7.3	6.7
Terminal revenue per move – financially consolidated (USD)	252	245
Terminal unit cost per move – financially consolidated (USD)	216	221
Share of profit/loss from joint ventures and associated companies (USD m)	164	-78
Number of operational tug jobs (harbour towage) ('000)	131	123
Annualised EBITDA per tug (terminal towage) (USD in '000)	842	755

Terminals & Towage segment
Terminals & Towage includes gateway terminals involving landside activities (being port activities where the customers are mainly the carriers), and towage services under the Svitzer brand.

Terminal towage is a one-customer operation. The customer is a port, a terminal or owner of an offshore facility. The contract is for specific vessels, and the customer determines which work the vessel performs. The annualised EBITDA per tug measure is the relevant measurement.

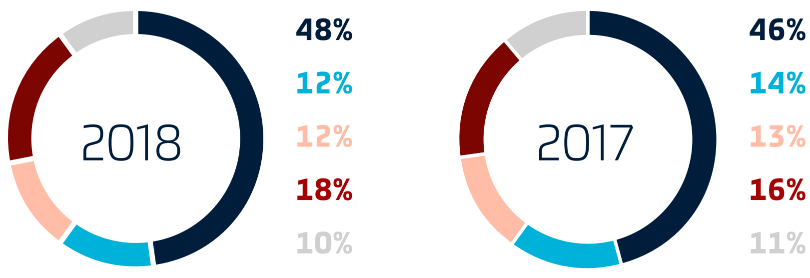
Harbour towage is a multi-customer operation in a common user facility. The customers are vessel owners and operators, either contracted for one to three years or booked call-by-call. The number of operational tug jobs (utilisation) is the relevant measurement.

Revenue per move increased by 3.0% to USD 252 (USD 245), driven by a higher proportion of volume from North and Latin America, higher revenue from landside customers mainly in Africa, a one-off settlement in North America, and terminals divested during 2017 (Tacoma, US, and Zeebrugge, Belgium). This was partly offset by negative rate of exchange impacts mainly in Latin America. Adjusted for the rate of exchange impact, the volume mix effects between operating terminals and from divested terminals, the revenue per move was in line with 2017. The volume mix effect relates to the impact on revenue per move from changes in the share of volumes from different terminals.

The cost per move decreased by 2.1% to USD 216 (USD 221), driven by an increase in utilisation, cost-reduction initiatives and rate of exchange effects. Examples of cost-reduction initiatives include the implementation of Lean methodology in operational processes in selected terminals and a procurement excellence programme. Cost per move reductions were partially offset by one-off costs related to a new operating system in North America, inflationary labour and concession costs, and volume mix effects. Adjusted for the rate of exchange impact and the volume mix effects between operating terminals and from divested terminals, the cost per move decreased by 4%.

Cost split, Terminals

● Labour ● Service & Administration ● Other operational cost
● Concession fee ● Depreciation



Terminals

● 2018
● 2017

15 / 16
Americas

18 / 19
Europe, Russia and Baltics

18 / 18
Asia

14 / 13
Africa and Middle East

4 / 4
Terminals under implementation (opening year):

Moin
Costa Rica (2019)

Tema
Ghana (2019)

Vado
Italy (2019)

Abidjan
Ivory Coast (2021)

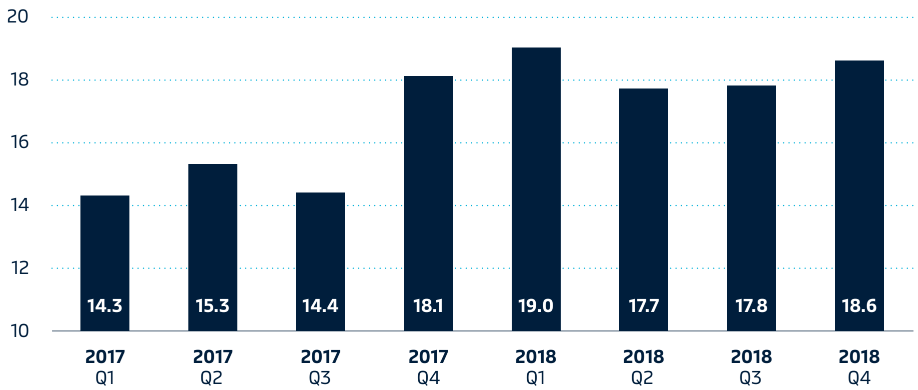
Key initiatives in 2018

The construction of a USD 860m greenfield terminal in Moin, Costa Rica, progressed according to plan. The terminal celebrated an important milestone in 2018 with the first vessel call by Maersk Line, **Cap Beatrice**, in October 2018.

In Tema, Ghana, a USD 778m expansion project progressed according to plan with more than half of capital expenditure booked in 2018 and prior years. The implementation project in Vado, Italy, also progressed according to plan and is expected to go-live by the end of 2019, while Abidjan, Ivory Coast, is expected to go-live in 2021.

A number of divestments were made in 2018. The divestment of Izmir, Turkey, in Q4 was the largest of the divestments. Additionally, APM Terminals divested its minority share in Paranagua, Brazil, and ownership in Khalifa Bin Salman Port, Bahrain, was reduced via an IPO. In Bahrain, APM Terminals continues to operate the terminal, holding majority ownership.

EBITDA, Terminals, %



The EBITDA margin increased by 2.7 percentage points compared to 2017, driven by improved utilisation, higher revenue per move, lower cost per move and the ramp-up of new terminals, with 2017 being impacted by the cyber-attack.

Consequently, the quarterly EBITDA margin increased by 4.3 percentage points to 18.6% (14.3%) during the past two years.

Volumes grew in all regions except Europe. The Americas grew by 28%, mainly driven by the ramp-up in Lazaro Cardenas, Mexico, and Puerto Quetzal, Guatemala, the integration of Maersk Line and Hamburg Süd, and by new services with external customers in Los Angeles, in the US. In Africa and the Middle East, volumes increased by 4.9%, mainly driven by West Africa. Volume in Asia grew by 2.6%, mainly driven by South Asia entities. Growth in Europe was overall flat compared to 2017.

The Americas was the region that saw the biggest increase in EBITDA margin to 13.5% (8.9%). The main driver was high volume growth in Latin America, especially driven by the Hamburg Süd integration as well as external volume growth and a one-off settlement in Los Angeles. This more than offset one-off costs related to the implementation of a new terminal operating system in North America. In Europe, the EBITDA margin decreased by 1 percentage point, mainly due to negative volume growth in certain terminals. In Africa and the Middle East, the EBITDA margin increased by 1.6 percentage points, mainly due to higher storage revenue in the West African terminals, while the EBITDA margin in Asia decreased by 0.6 percentage points, mainly driven by East and South Asian entities.

Financially consolidated volume, Terminals

Million moves	2018	2017	Growth (%)
Americas	4.7	3.7	27.5
Europe, Russia and Baltics	2.7	2.7	-0.3
Asia	2.2	2.1	2.6
Africa and Middle East	1.8	1.7	4.9
Total	**11.4**	**10.2**	**11.1**

Volume increased in all regions except for Europe.

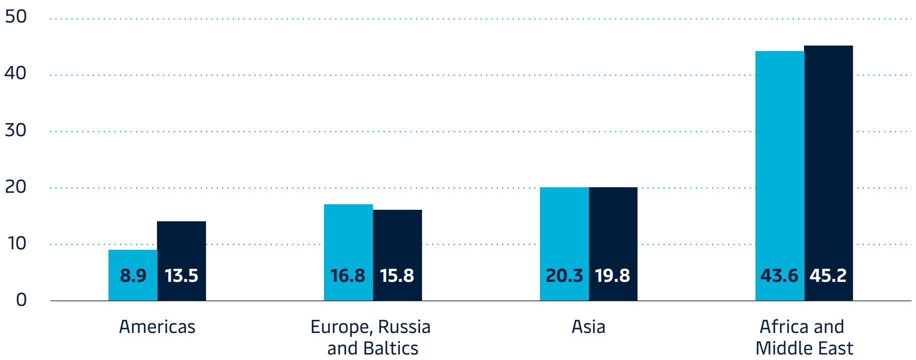
Equity-weighted volume, Terminals

Million moves	2018	2017	Growth (%)
Americas	4.8	3.7	29.9
Europe, Russia and Baltics	3.0	2.9	2.7
Asia	7.2	7.1	2.1
Africa and Middle East	2.0	1.9	4.2
Total	**17.0**	**15.6**	**9.1**

Increase in equity-weighted volumes in all regions, particularly strong in Latin America across several locations following robust growth from the Maersk Line and Hamburg Süd integration.

Gateway terminals, financially consolidated, EBITDA, %

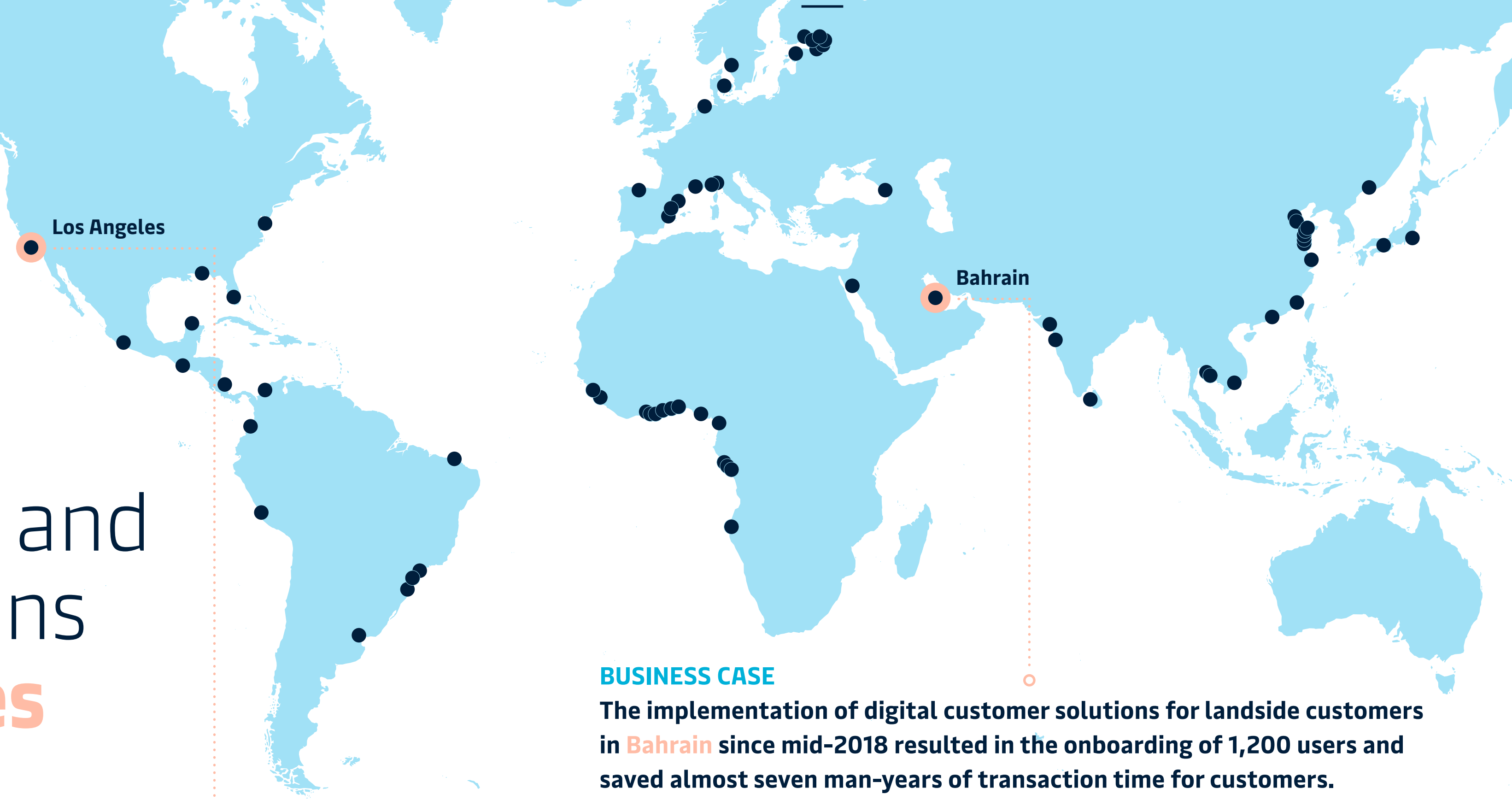
● 2018 ● 2017



Results from joint ventures and associated companies

The increase in profit from joint ventures and associated companies to USD 158m (loss of USD 86m) was due to impairments of USD 265m in 2017. Excluding the impairments, the profit from joint ventures and associated companies decreased by USD 21m compared to 2017, mainly due to one-offs in West African terminals. •

APM Terminals' ports and inland activities



Collaboration and digital solutions in Los Angeles and Bahrain

BUSINESS CASE

Closer collaboration between Maersk and APM Terminals Pier 400, Los Angeles, created new opportunities and better customer experience.

Closer collaboration between APM Terminals Pier 400, Los Angeles and Maersk Line has provided a good outcome for beneficial cargo owners and helped further increase volumes in Los Angeles.

The collaboration resulted in savings for a large electronics company in South Korea which was facing delays with exports from its factory in Mexico due to network rescheduling. Maersk Korea and Pier 400 immediately decided to use trucks to shift the cargo from Mexico to Los Angeles. The cargo started arriving on a Friday, and by the following Tuesday, a Maersk Line vessel carrying electronics cargo departed Pier 400.

BUSINESS CASE

The implementation of digital customer solutions for landside customers in Bahrain since mid-2018 resulted in the onboarding of 1,200 users and saved almost seven man-years of transaction time for customers.

Landside customers had to visit the terminal 15 kilometres from the city for all their port dealings, causing issues such as long queues at appointment offices, a lack of transparency on available time slots, and complaints about the inability to process online payments.

By mid-2018, APM Terminals' digital team launched an advanced online platform in Bahrain to directly track and trace cargo real-time, check the status of shipments/vessels, schedule appointments such as deliveries and container stripping, and receive and pay invoices online with 24/7 support.

The innovative solutions resulted in considerable time savings for customers in the appointment process (from 3-4 hours to 1-2 minutes). The appointment process is now more transparent, and helps customers to better plan and manage their cargo flows.

The terminal is moving towards only using digital import bookings from 2019 – thereby ensuring efficiency savings for APM Terminals. The digital portal is also allowing customers to incrementally purchase value-added services such as container stripping and storage, increasing APM Terminals' participation in the container supply chain.

Towage

Financial and operational performance

Revenue from towage activities amounted to USD 692m (USD 659m), mainly impacted by increases in the Americas by USD 18m, in Australia by USD 10m, and in Europe by USD 8m, offset by a USD 3m decrease in revenue in Asia, the Middle East and Africa. Like-for-like growth adjusted for currency developments totalled 4.6%.

Harbour towage activities measured by the number of tug jobs increased by 5.9% compared to 2017, mainly driven by increased activity in the Americas and Australia. For terminal towage, annualised EBITDA per tug increased compared to 2017 with a positive impact from new contracts in 2018, partially offset by a negative currency impact. The idle fleet in terminal towage has been reduced, which positively impacted EBITDA per tug.

Volumes in Australia improved due to higher commodity exports, and because of increased market share for harbour towage in competitive ports in Australia.

Activity in Europe remained stable, and Svitzer's market share for harbour towage in competitive ports was on par with 2017. However, more intense competition from consolidation amongst towage providers and the increasing supply of tugs led to lower prices.

In the Americas, activity in both Argentina and Brazil increased, driven by new customers in ports entered during 2018, and additional volumes and market share in the ports entered in 2017. Also, the terminal towage activities ramped up with operations in Costa Rica partially commenced in 2018.

In Asia, the Middle East and Africa, activity was in line with 2017, while some cost reductions were achieved. The cost reductions related to trimming the onshore organisation and the divestment of idle vessels. During 2018, towage operations commenced in Bangladesh as well as in Tangier Med II, Morocco.

Cash flow used for capital expenditure amounted to USD 120m (USD 147m). Towage sold 13 vessels with a cash flow impact of USD 14m in 2018.

Free cash flow amounted to USD 74m (USD 83m).

The market

Activity levels in the harbour towage markets remain stable. For harbour towage in Europe, consolidation in the industry persists, leading to stronger competitors and more intense competition. In Australia, a new competitor started up at the end of 2018, which increases competition.

The strategic focus is still to improve cost levels and productivity, while utilising and expanding the global footprint to ensure closer cooperation with targeted customers.

The activity growth in terminal towage remains low, reflecting fewer offshore development projects initiated by oil companies. •

Key initiatives in 2018

The existing market portfolio continued to be optimised by focusing on growth in selected markets such as Argentina and Brazil.

Towage activities have been positively impacted by further cooperation with other A.P. Moller - Maersk businesses during 2018. These synergies within A.P. Moller - Maersk have generated additional volumes in various ports in Brazil, in Buenos Aires, Argentina, in Bremerhaven, Germany, in Poti, Georgia, and in Tangier Med II, Morocco, as well as secured contracts with start in early 2019 in Monrovia, Liberia, and in Antwerp, Belgium.

To address the increased commercial pressure resulting from fewer new projects, slow growth in vessel calls and overcapacity of towage tonnage in certain geographic markets, optimisation of the fleet utilisation continued through repositioning or selling vessels. With increased market shares and an unchanged harbour towage fleet, vessel utilisation has improved. The ongoing fleet optimisation continued, with the disposal of 13 idle vessels during 2018. The focus on improving customer satisfaction continued, along with efforts to strengthen the relationships with global customers.

Revenue, Towage

Per region, USD million	2018	2017	Growth %
Australia	273	263	3.8
Europe	244	236	3.5
Americas	96	78	23.6
Asia, Middle East and Africa	79	82	-4.2
Total	**692**	**659**	**5.0**
Per activity, USD million			
Harbour towage	485	456	6.2
Terminal towage	210	209	0.4
Eliminations, etc.	-3	-6	N/A
Total	**692**	**659**	**5.0**

Fleet overview, Towage

Number of vessels	2018	2017
Owned	339	339
Chartered	26	17
Total	**365**	**356**
Newbuilding		
Delivery within one year	2	-
Delivery after one year	-	10
Total	**2**	**10**

The towage fleet increased by nine vessels to 365 vessels, with 339 owned and 26 chartered at the end of December 2018. A total of two vessels are on order, and will be delivered in 2019.

Manufacturing & Others

Manufacturing & Others´ revenue increased by 51% to USD 2.5bn (USD 1.7bn), impacted by the inclusion of acquired bulk activities from Hamburg Süd and a higher level of oil/ bunker trading with third parties. EBITDA of USD 59m (USD 173m) was negatively impacted by dry container margins under pressure as well as by restructuring costs in Maersk Container Industry and lower EBITDA across other businesses, in particular in Maersk Oil Trading.

Maersk Container Industry decided to consolidate its reefer container manufacturing in Qingdao, China, and the facility in San Antonio, Chile, was closed in June. Profitability was significantly impacted by dry container margins being under severe pressure, and was significantly below the level in 2017. In December 2018, it was decided to idle down operations at the dry factory in Dongguan, China, and in January 2019, Maersk Container Industry announced the decision to exit the dry container business altogether, including the manufacturing facility in Dongguan.

Financial and operational performance

Maersk Container Industry reported revenue of USD 978m (USD 1.0bn). Revenue in reefer containers and services increased by 7%, despite the closing of the factory in Chile, driven by higher demand from third-party customers and by selling both integrated reefers and Star Cool units, while revenue in dry containers decreased by 24% due to lower sales prices and lower volumes.

Maersk Container Industry won large third-party reefer orders, and concluded both its single biggest order and the largest total volume within a year. Demand from the Ocean segment accounted for approx. 40% (65%) of reefer containers and 39% (82%) of total revenue including dry containers and services.

Volumes as number of containers in reefer including integrated containers, reefer boxes and Star cool units were 47,932 (45,645), and in dry containers 69,549 (94,699).

The EBITDA of USD 40m (USD 87m) was due to the negative development in profitability on dry containers and restructuring costs in Chile of USD 18m. Steel prices remained high in 2018, however, this was not reflected in increased sales prices, leading to compressed margins. The EBITDA margin ended at 4.1% (8.6%), with margins on dry containers decreasing significantly, whereas reefer containers and services showed an increase driven by the higher revenue.

The closing of the factory in Chile in June, impacted results negatively by USD 141m in impairments, while exiting the dry business by closing the factory in Dongguan, China, had a negative impact of USD 66m in impairments.

The activities in Others reported revenue of USD 1.6bn (USD 674m), with a revenue in Maersk Oil Trading of USD 769m (USD 410m), due to a higher level of oil/bunker trading with third parties. Bulk activities acquired as part of the Hamburg Süd transaction generated revenue of USD 444m.

EBITDA in Others was USD 19m (USD 86m), of which Maersk Oil Trading reported negative USD 24m (positive USD 38m), while the bulk activities reported a negative EBITDA of USD 7m.

The remaining activities in Others reported a revenue of USD 356m (USD 264m), with an EBITDA of USD 50m (USD 48m). •

Manufacturing & Others segment
Manufacturing includes the activities of Maersk Container Industry with the production and sale of reefer containers at the factory in China, following the announcement in January 2019 to exit the dry container business altogether.

Others includes the third-party activities of Maersk Oil Trading and bulk activities taken over as part of the Hamburg Süd transaction. However, these bulk activities were divested in January 2019.

Manufacturing & Others highlights

USD million	2018	2017
Revenue	2,547	1,689
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	59	173
EBITDA margin	2.3%	10.2%
Gross capital expenditure, excl. acquisitions and divestments (CAPEX)	16	23
Operational and financial metrics		
Maersk Container Industry, third-party customers share of revenue (%)	61%	18%

Key initiatives in 2018

With the consolidation of reefer activities in China and the exit from the dry container business, Maersk Container Industry will focus fully on growing its cold chain business and will continue to design, manufacture, sell and service the Star Cool Technology. This focused growth will require further investments in the best products and services.

Maersk Container Industry's other locations, including the reefer factory in Qingdao, China, and operations in Denmark, are not impacted by the closing of the two container factories, but will continue their operations and support the global network of customers.

Maersk Container Industry managed to win major reefer tenders with global container operators and fruit multinationals with its Integrated Star Cool reefers, while also increasing the sale of Star Cool units, which for the first time exceeded reefer container sales.

Maersk Container Industry announced Sekstant™ Global Guidance in November. The system for reefer digitalisation is the most significant technological breakthrough since the introduction of the Star Cool reefer machinery. Sekstant™ will provide container operators with accurate data at any point along the transportation chain, enabling optimisation of operations and transparency towards their shippers. At the same time, this will take the value chain for Maersk Container Industry to a new level through the utilisation of operational data and big data analysis.

Discontinued operations

The objective of finding structural solutions for the oil and oil-related businesses was successfully accomplished for Maersk Tankers in 2017, and for Maersk Oil in 2018 when the agreement with Total S.A. closed. As announced on 17 August 2018, A.P. Moller - Maersk has decided to pursue a demerger via a separate listing of Maersk Drilling on Nasdaq Copenhagen on 4 April 2019, while continuing to pursue a solution for Maersk Supply Service.

Maersk Drilling and Maersk Supply Service posted a profit of USD 561m (loss of USD 1.7bn), positively impacted by the cessation of depreciation from classification as discontinued operations, while 2017 was negatively impacted by impairments of USD 1.9bn.

Listing of Maersk Drilling

Following an evaluation of the different options available to Maersk Drilling, A.P. Moller - Maersk has concluded that Maersk Drilling as a stand-alone company presents the most optimal and long-term prospects for its shareholders. This will offer shareholders the possibility of participating in a value-creation opportunity for a global, leading pure-play offshore drilling company with long-term development prospects. Details on the demerger and separate listing will be announced at a later stage.

In Q4, Maersk Drilling made the progress necessary to ensure that the entity is ready for a demerger in 2019, with the ambition of being both organisationally and financially ready to operate as an independent entity in due time before a listing.

As part of the preparations for the separation, debt financing of USD 1.5bn, out of which USD 1.2bn has been released as cash proceeds to A.P. Moller - Maersk, from a consortium of international banks has been agreed for Maersk Drilling to ensure a solid capital structure after a listing. The Board of Directors was strengthened in January 2019, and a clear governance structure has been established.

On 7 February 2019, Maersk Drilling presented its consolidated annual report for 2018 including guidance for 2019.

Maersk Drilling

Maersk Drilling reported a revenue of USD 1.4bn (USD 1.4bn), while EBITDA was USD 611m (USD 683m), negatively impacted by several idle rigs and lower day rates combined with costs for the planned separation. High operational uptime, more contracted days and a one-off had a positive effect on EBITDA.

Maersk Drilling reported solid cash conversion from an operational cash flow of USD 564m (USD 712m) and limited maintenance CAPEX. The strong operational performance across the fleet resulted in an average operational uptime of 98% (98%) for the jack-up rigs and 97% (98%) for the deepwater rigs.

The market

Oil prices were volatile in 2018, reaching approx. USD 85 per barrel in October, but ending the year at USD 53, driven by an uncertain demand outlook and robust supply, particularly from onshore US. Global rig demand continued to rise in 2018, albeit at a slow pace. Oversupply is still a factor, keeping utilisation rates at moderate levels. Total utilisation for floaters and jack-up rigs at the end of 2018 stood at 66% and 59%, respectively. Two jack-up rigs and five floaters were scrapped in Q4, bringing the 2018 total attrition figures to 36 jack-up rigs and 20 floaters. Scrapping activity remains limited to relatively older rigs, as contractors are optimistic about a coming rebound in demand. Estimates for a 2018 greenfield capital commitment for offshore projects were revised downwards in Q4 to USD 84bn from Q3 estimates of USD 94bn. The industry continues to target cost reduction through operational efficiency improvements, integrated alliances and partnerships, financial restructuring, and mergers and acquisitions.

Key initiatives in 2018

Maersk Drilling signed 12 new contracts and further extended 13 contracts during 2018, adding 4,022 days and USD 503m to the backlog. By the end of 2018, Maersk Drilling's total revenue backlog amounted to USD 2.5bn (USD 3.3bn), with forward contract coverage of 69% for 2018, 63% for 2019 and 37% for 2020.

In 2018, Maersk Drilling launched a new strategic ambition ´Smarter Drilling for Better Value´, with the aim of combining the leading drilling services with new services and innovative business models. The objective is to drive long-term business opportunities through increased customer collaboration, differentiation and asset utilisation. In this way, Maersk Drilling is at the forefront of change, and is recognised for its collaborative and innovative business approach which has enabled Maersk Drilling to forge strong alliances in the industry. The first example was the alliance with Aker BP, which aims at lowering the cost per barrel and increasing profitability for the partners while giving Maersk Drilling a preferential right to provide jack-up rigs for Aker BP in Norway. In September 2018, **Maersk Integrator** became the first rig to be contracted fully under alliance conditions.

In December 2018, Maersk Drilling entered yet another unique alliance with Seapulse Ltd. In this alliance, Maersk Drilling will provide fully integrated services, including the provision of rigs and related services to remove complexity across the entire value chain for a global 12 well exploration drilling programme.

Maersk Drilling has a global footprint with focus on the Nordics

Locations on 31 December 2018.

[1] Excluding **Maersk Guardian**, operating as an accommodation rig.

Source The Maersk Drilling Group

Maersk Supply Service

Maersk Supply Service reported an 8% increase in revenue to USD 263m (USD 244m), reflecting higher utilisation and higher project activity. EBITDA of USD 3m (USD 13m) was, however, negatively impacted by the expiry of legacy contracts and increased project cost.

Cash flow used for capital expenditure decreased to USD 333m (USD 447m) due to the payment of four (four) newbuildings with a lower average price in 2018.

A negative fair value adjustment of USD 400m was recognised in Q3 to reflect management's revised expectations of a fair value of Maersk Supply Service due to continued challenging market conditions.

The market

The industry continues to be characterised by oversupply, financial restructurings and consolidation, and Maersk Supply Service expects the market outlook for the industry to remain subdued in the near and mid-term. Tender activity is rising; however, day rates remain under significant pressure and the offshore supply vessel industry has approx. 30% of vessels laid up globally, including Maersk Supply Service with 14 (15) vessels laid up at the end of 2018, corresponding to 33%. When including both laid-up and idle vessels, the industry percentage increases to approx. 47%. •

Key initiatives in 2018

Important contract wins and extensions were secured in all five core geographic regions – North America, Europe, West Africa, Latin America and Asia Pacific – ensuring utilisation of vessels. However, rates remain under pressure.

Within the integrated solutions area, the transportation and hook-up of the FSO in the Culzean field in the North Sea was completed in Q3, marking the last step of the installation under the project management of Maersk Supply Service. Over the course of the project, eight vessels and Maersk Supply Service crew carried out the marine operations. During Q4, a newbuild Subsea Support Vessel (SSV) was contracted to perform light well intervention work in Angola, which marks the first contract in this work scope for Maersk Supply Service, illustrating progress in a new service area. During Q3, Maersk Supply Service project-managed the decommissioning of the Leadon subsea field in the North Sea. The recovery of the towhead was completed by another of the company's newbuild SSVs.

Maersk Supply Service's strategy to diversify its business into new markets has progressed, demonstrating the versatility of the fleet. Within the offshore wind industry, Maersk Supply Service has deployed a newbuild SSV performing walk-to-work duties, which is the first job within this important market. In Q2, an innovation partnership with Vestas aimed at lowering the logistics and installation costs within sustainable energy solutions was announced. In addition, Maersk Supply Service deployed two vessels to The Ocean Cleanup, a non-profit organisation, for installing the world's first clean-up system in the North Pacific to rid the oceans of plastic.

Maersk Decom joint venture

The **joint venture between Maersk Supply Service and Maersk Drilling** to provide bundled decommissioning solutions was fully established as of June 2018. While rising oil prices have led to some project delays in the market, as decommissioning increasingly competes for funding alongside exploration and production activities, Maersk Decom has received a positive response from both operators and regulators. The company began work on its first study contract in December 2018, and is engaged in in-depth project development dialogue with North Sea operators.

Light well intervention in West Africa
Light well intervention is the servicing of subsea wells on the seabed using a vessel instead of a drilling rig.

Maersk Supply Service
During 2018, the final of four Maersk Supply Service I-class Stingray newbuild vessels were delivered, and are now servicing global customers.

Walk-to-work in the North Sea
Walk-to-work is an accommodation service for wind turbine personnel, enabling them to access and maintain offshore wind turbines.

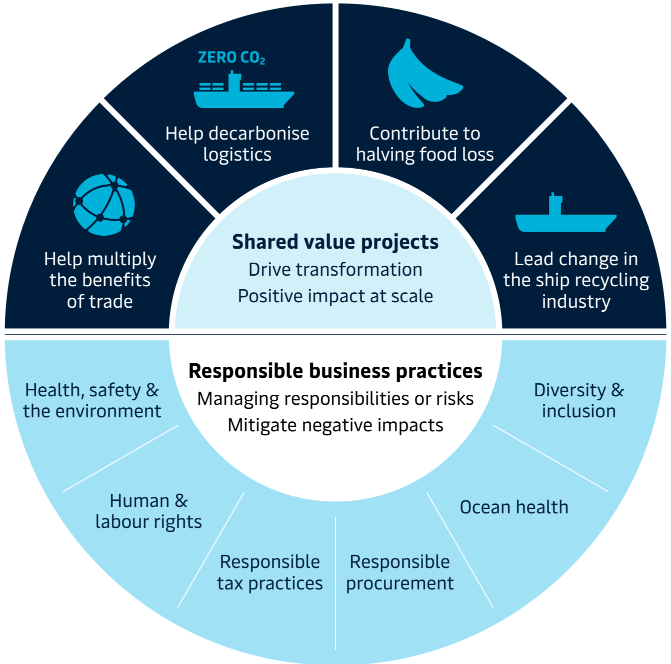
Decommissioning in the North Sea
Decommissioning involves the safe plugging of wells and the disposal of equipment used in offshore oil and gas production.

Inspection, Maintenance & Repair (IMR) services in Mexico
IMR is the provision of inspecting, maintaining and repairing offshore production units.

Sustainability

The link between business and sustainable, responsible practices is growing stronger, as global challenges, such as climate change and anti-globalisation grow. A.P. Moller - Maersk is responding to the growing expectations on the part of investors, customers and employees with leadership projects on transformational issues directly associated with the businesses and ensuring integrity in everything Maersk does.

The sustainability strategy



With the Paris Agreement on climate change and the establishment of the United Nations Sustainable Development Goals, which are both supported by almost all countries in the world, companies are being given a new role as co-providers of solutions to critical issues, as innovators, as investors and as key players in implementing commercially viable solutions for a sustainable economy at scale.

A.P. Moller - Maersk welcomes this opportunity, and understands that while it opens doors for business, it also adds to the expectations of accountability and transparency by stakeholders – including shareholders. Responsible practices are therefore as important as ever, while demands on being able to manage and communicate on sustainability-related risks are growing. The largest change, however, is the growing expectation that companies use their business activities to create and drive positive impact – alone or in partnership with others.

The sustainability strategy encompasses these expectations with a non-wavering focus on responsible business practices with all material issues, and four priority programmes that will enable the companies to drive the development of large-scale solutions that target some of the world's major sustainability challenges, while at the same time supporting business development.

Taking the lead on climate change

Nowhere is this clearer than the growing urgency to tackle climate change. The latest assessments from the UN's Intergovernmental Panel on Climate Change leave no doubt as to the need for the world in general to go through a deep transformation away from its reliance on fossil fuels. Maersk wants to play a clear and leading role in driving the shipping industry's transformative process. This is the only responsible thing to do, but such efforts and investments are also believed to create strategic benefits for the business. At the same time, the risks of early mover disadvantages are being considered, and efforts are being made to avoid these through informative new framework conditions that will support the goal of having commercially viable vessels on the water by 2030.

Progress on key issues

Efforts to manage other material sustainability risks, responsibilities and opportunities also progressed in 2018.

A new approach to safety

Having reached a plateau in safety performance, and more importantly with high-potential events, particularly those resulting in fatalities, continuing to occur, significant steps to renew and step up the approach to safety were taken. In 2018, seven people regrettably lost their lives in connection with business operations.

The approach to ensuring safety will be fundamentally embedded in all aspects of the organisation, and will involve every part of the business, every employee and all business processes. An executive task force has developed the approach, which was approved by the Board of Directors, and it will be delivered through a new corporate safety function and new levels of both leadership and employee engagement.

Accidents are never intentional, but occur because of many factors coinciding, and there is rarely a correlation between the efforts being made to prevent minor events and injuries and high-potential accidents or events. In future, more focus will be directed at building the organisational capacity and operational controls that act as barriers to accidents which could otherwise have escalated to life-changing or fatal outcomes.

New targets

Net-zero CO_2 emissions by 2050
In 2018, a new company ambition of net-zero CO_2 emissions from own operations by 2050 was set. This will drive a transformation of the shipping industry towards using carbon-neutral fuels.

Until decarbonisation is achieved, decoupling business growth from emissions is a necessity. An efficiency target of 60% relative reduction in CO_2 by 2030 from a 2008 baseline has been set. Due to the efforts over the past decade, 41% of these reductions have already been achieved.

A call for innovation and collaboration
To deliver on the target, massive innovation in ship and engine design and fuel transformation must take place in the next 5-10 years.

A. P. Moller - Maersk is committed to becoming a leader in this process, and will dedicate resources and efforts towards research collaborations, technical development, customer engagement and regulatory advocacy. In addition, Maersk will call on all parties involved to collaborate on incentives and to develop innovative solutions.

Risks from the physical impacts of climate change
Another aspect of climate change that is being prepared for are the physical impacts and potential risk to business assets and value. This work has been furthered by the investment community's focus on climate change from a financial risk perspective, as demonstrated in the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In 2018, a hot-spot analysis aimed at estimating the effect of five climate hazards on ports, other fixed assets and strategic commodities within a 2020–2040 time-frame was conducted. Further analysis of selected regions of material importance to the business to determine the future approach to building climate change resilience will be performed.

Open and inclusive trade

Tensions over global trade are currently at their highest level for many years. A positive outcome will depend on an orderly process to revise the global rule book on trade, reflecting the need for greater balance, inclusion and sustainability in trade.

In 2018, an ambitious set of commitments was adopted to help multiply the benefits of trade for both society and business by leveraging the capabilities of A.P. Moller - Maersk as an integrated transport and logistics company to reduce complexity in global value chains. This will enable more countries and more companies to trade in simpler, cleaner, faster and cheaper ways. The commitments also aim to help empower small businesses to have better access to the benefits of trade, and thereby to support innovation and job creation. To deliver on these commitments, new partnerships were entered into and developed in 2018.

New targets

Zero

net-emissions from own operations by 2050.

60%

relative reduction in CO_2 emissions by 2030 (2008 baseline).

2018 results

41%

relative reduction in CO_2 emissions from own activities compared to 2008 baseline.

A level playing field for SO_x

The International Maritime Organization's (IMO) 0.5% global cap on the sulphur dioxide (SO_x) content in fuels for shipping will enter into force on 1 January 2020. To enable enforcement of the global cap, the IMO in 2018 decided on a carriage ban for non-compliant fuels on board vessels. Vessels with scrubbers installed for cleaning the exhaust gasses are exempted from this ban. The OECD estimates the cost of switching to new, compliant fuels at up to USD 15bn per year for the container shipping industry, equalling around USD 2bn annually for Maersk.
To prepare for the 2020 global cap, Maersk:

- invested in creating a global hub for low-sulphur bunker fuel. More such options are being explored
- decided to apply scrubber technology to several vessels
- entered into dialogue with customers on additional fuel costs.

Transforming ship recycling

Maersk continues to work with ship recycling yards in Alang, India, to prove the viability of more options for responsible ship recycling. In 2018, the European Union (EU) introduced a list of approved yards for the recycling of vessels carrying EU flags. The desire to be included on this list is encouraging the transformation of Alang, where at least 66% of the yards are now investing in improvements. The current version of the EU list does not include Indian yards; however, it will be updated on an ongoing basis.

The Ship Recycling Transparency Initiative (SRTI) launched its online platform in December 2018. It encourages all shipowners to report on their ship recycling practices against a comprehensive set of disclosure criteria, which is also followed by Maersk. The SRTI allows for sharing the risks related to investing in the transformation of ship recycling.

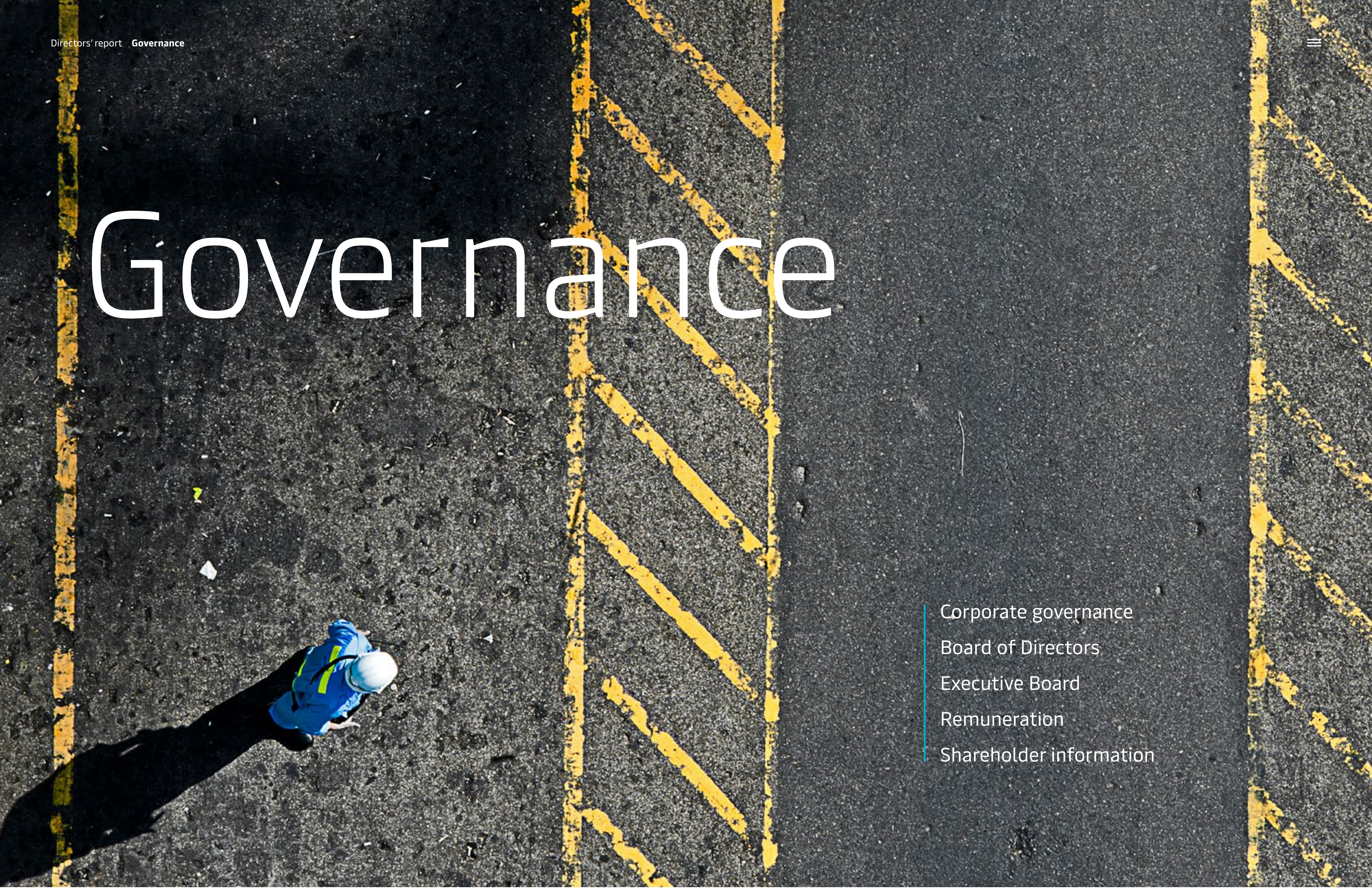
Reducing food loss

The commitment to contribute to halving food loss by 2030 is a new area in the sustainability strategy. The goal is to build capabilities in the supply chain in countries with a high prevalence of food loss in the production and transportation stages, and to enhance their ability to benefit from food loss-reduction solutions. This will increase local traders' participation in trade, and potentially allow growth in the cold chain business.

In 2018, relevant organisations for potential partnerships were mapped, and a memorandum of understanding was signed with the International Finance Corporation (IFC) for future cooperation on food loss projects at country level. •

Read more in the A.P. Moller - Maersk Sustainability Report 2018 https://www.maersk.com/about/sustainability/reports

The sustainability report serves as the statutory reporting according to section 99a and b of the Danish Financial Statements act.



Governance

Corporate governance
Board of Directors
Executive Board
Remuneration
Shareholder information

Corporate governance

Corporate governance is an important aspect of A.P. Møller - Mærsk A/S, in line with the company's values. A.P. Møller - Mærsk A/S is continuously developing its corporate governance in response to the strategic development, goals and activities, as well as to the external environment and input from stakeholders.

The five core values ´Constant Care´, ´Humbleness´, ´Uprightness´, ´Our Employees´ and ´Our Name´ remain pillars for the way in which A.P. Møller - Mærsk A/S conducts its business. Engrained in the company for more than a century, these corporate values are continuously being promoted throughout the global organisation, and serve as guiding principles for employees and leaders.

The governance structure supports close coordination between the Board of Directors, the Executive Board and leaders throughout the organisation. The structure promotes the objectives of:

- Early identification of opportunities and challenges.
- Efficient processes for informed decision-making.
- Agile planning and fast execution.
- Sound controls, checks and balances and compliance.
- Clear allocation of authorities and responsibilities.
- Safe operations.

The formal basis for the corporate governance of A.P. Møller - Mærsk A/S consists of:

- The Articles of Association. Available at http://investor.maersk.com/corporate-governance
- Rules of procedure applicable to the Board of Directors and the Executive Board as well as procedures specific to each of the Board committees. In 2018, the Board of Directors decided to make the rules of procedure publicly available at http://investor.maersk.com/board-directors
- Policies and principles on health and safety, legal compliance, working culture, tax and other key areas within corporate governance and good corporate citizenship. Read more about our policies at https://www.maersk.com/about
- The internal governance framework (COMMIT), stipulating more detailed policies, rules, instructions and guidelines applicable to all group entities and employees. Among others, the framework covers Enterprise Risk Management, financial risks, responsible procurement, anti-corruption, legal compliance, etc. and is continuously updated.
- The Maersk Whistleblower System, established in 2011, which enables employees and other stakeholders in 130 countries to report wrongdoings. Further information on whistleblower reports is available in the Sustainability Report. https://secure.ethicspoint.eu/domain/media/en/gui/102833/index.html

To organise the preparation and conduct of Board meetings in the most efficient manner, the Board has established an Annual Plan in cooperation with the Executive Board. The Annual Plan outlines the main items and focus points for each ordinary Board meeting and topics on which the Executive Board is expected to report as well as matters for deliberation or approval by the Board members. The Annual Plan ensures that all relevant topics are covered sufficiently during the year.

During the summer of 2018, an externally facilitated Board evaluation process was conducted, among others covering the cooperation between the Board of Directors and the Executive Board, the Chairman's role, the Board's and Board committees´ effectiveness and results as well as an assessment of Board capabilities relative to those best supporting the company's strategy. All members of the Board of Directors and the Executive Board participated in the evaluation process and provided input via questionnaires and individual interviews, thus forming the basis of a comprehensive evaluation report. The results were discussed in plenary sessions of the Board of Directors and in one-to-one sessions between the Chairman and individual members of the Board and the Executive Board.

The main conclusions and outcomes of the board evaluation were:

- The Board's work has undergone a positive development in 2017-2018 by improving dynamics and organisation, engagement and the level of challenges and sparring offered by and among the Board and the Executive Board.
- The size of the Board is considered efficient and appropriate.
- As the company changes from being a conglomerate to focusing on global transport and logistics, the competencies of the Board should evolve accordingly.
- The key competencies and areas of experience and expertise required on the Board are: Shipping, transport and logistics, IT/digital/tech and e-commerce, business transformation, innovation and entrepreneurship,

asset-heavy industries, finance and accounting, risk management, global leadership and board service in stock-listed companies.
- The talent pipeline and development of leadership talent to be strengthened.

The evaluation report, results and conclusions from the evaluation process are foundational for the Nomination Committee's considerations and search for future candidates to the Board of Directors as well as for the Chairman's planning and conduct of Board meetings.

Recommendations for corporate governance

As a Danish listed company, A.P. Møller - Mærsk A/S must comply with or explain deviations from the ´Recommendations for Corporate Governance´ implemented by Nasdaq Copenhagen in the Rules for issuers of shares and Section 107b of the Danish Financial Statements Act.

The Board of Directors has prepared a statement on corporate governance for the financial year 2018. The statement includes a description of the company's approach to each of the recommendations in the ´Recommendations for Corporate Governance´. A.P. Møller - Mærsk A/S complies with 37 recommendations, complies partly with five recommendations and explains deviation from five recommendations. The statutory Statement on Corporate Governance can be consulted at http://investor.maersk.com/corporate-governance

Governance structure

Shareholders and the General Meetings

The General Meeting is the supreme governing body of A.P. Møller - Mærsk A/S. The shareholders exercise their rights at the General Meeting e.g. in relation to electing the Board members and the auditors of the company, approving the annual reports and dividends, deciding on the articles of association and on proposals submitted by shareholders or the Board. The company has two share classes: A shares carrying voting rights and B shares carrying no voting rights. A and B shares carry equal economic rights, and are traded publicly at Nasdaq Copenhagen.

Board of Directors

A.P. Møller - Mærsk A/S has a two-tier management structure consisting of the Board of Directors and the Executive Board as illustrated. There is no overlap between members of the Board of Directors and members of the Executive Board. By inviting business leaders, functional leaders and relevant experts to participate in parts of its meetings, the Board of Directors and its committees interact with representatives from various parts of the organisation as well as external specialists.

The Board of Directors lays down the general business and management principles, and ensures the proper organisation and governance of the company. Furthermore, the Board of Directors decides the strategy and the risk policies, and supervises the performance of the company and its management. The Board of Directors must consist of four to 13 members elected by the General Meeting. The Board members are elected for a two-year term. There are Board members up for election every year to ensure continuity in the work of the Board of Directors. Board members are eligible for re-election.

In connection with the Annual General Meeting on 10 April 2018, Niels Jacobsen, Renata Frolova-Hammer and Palle Vestergaard Rasmussen stepped down from the Board of Directors, and the Annual General Meeting elected Thomas Lindegaard Madsen and Jacob Andersen Sterling as new members. Since then, the Board of Directors has had 10 members, all elected by the Annual General Meeting. Half of the members of the Board of Directors, including the Chairman, are independent. The Chairman of the Board of Directors and the chairmen of the committees, except the Nomination Committee, are independent.

Further information on the members of the Board of Directors, committees as well as the Board members' participation in Board and committee meetings is available here http://investor.maersk.com/board-directors

The Board of Directors plans seven to nine ordinary meetings per annum.

Framework for corporate governance

The Board of Directors has established the following committees:

The Chairmanship

The Chairmanship consists of the Chairman and the Vice Chairman (or Vice Chairmen) who are elected by and among the members of the Board of Directors. The Chairmanship performs certain preparation and planning in relation to Board meetings, and is a forum for the Chairman's and management's reflections. The Chairmanship meets regularly and as required.

The Audit Committee

The Audit Committee consists of three to four Board members appointed by and among the Board members. The Committee reports to the Board of Directors and currently has three members. The tasks of the Audit Committee include the review of accounting, auditing, risk and control matters, which are dealt with at meetings with the external auditors, the CFO and the heads of the accounting and internal audit functions. Furthermore, the Committee is tasked with reviewing material on related parties´ transactions. The tasks of the Audit Committee are described in rules of procedure approved by the Board of Directors and are available at the company's webpage http://investor.maersk.com/board-committees-0. The majority of the members are independent. In 2018, Jim Hagemann Snabe replaced Niels Bjørn Christiansen as member of the Audit Committee.

The Committee plans six to seven ordinary meetings per annum.

The Nomination Committee

In 2018, the Board of Directors established a Nomination Committee consisting of three Board members, one of whom is the Chairman of the Board. The members are elected by and among the Board members, and the Board appoints the chairman of the Committee. The Nomination Committee assists the Board by establishing an overview of the competencies required and represented on the Board, and reviews the structure, size, composition, succession planning and diversity of the Board of Directors. The Committee also reviews the application of the independence criteria, initiates recruitment and evaluates candidates for election to the Board of Directors at the General Meeting. The tasks of the Nomination Committee are described in the rules of procedure approved by the Board of Directors and are available at the company's webpage http://investor.maersk.com/board-committees-0.

The Committee meets as needed.

The Remuneration Committee

The Remuneration Committee consists of three Board members, one of whom is the Chairman of the Board. In 2018, a long-standing practice of the Remuneration Committee's composition being identical to the Chairmanship changed, and the Committee members are now separately elected by and among the Board members. The Remuneration Committee makes proposals to the Board of Directors for the remuneration of the members of the Executive Board. Furthermore, the Committee makes proposals to the Board e.g. with regard to incentive schemes, reporting and disclosure of remuneration, remuneration policies and incentive guidelines. The Remuneration Committee must ensure that the remuneration policy and practices as well as incentive programmes support the strategy of A.P. Møller - Mærsk A/S and create value for the shareholders. The tasks of the Remuneration Committee are described in rules of procedure approved by the Board of Directors and are available on the company's webpage http://investor.maersk.com/board-committees-0. The majority of the members are independent.

The Committee plans four meetings per annum.

The Transformation & Innovation Committee

The Transformation & Innovation Committee consists of three to four Board members appointed by and among the Board members. The Committee reports to the Board of Directors and currently has three members. The Committee is established with the purpose of supporting the transformation of the company as well as the development of the company's overall strategic direction and innovation agenda. The tasks of the Transformation & Innovation Committee are described in rules of procedure approved by the Board of Directors and are available at the company's webpage http://investor.maersk.com/board-committees-0. The majority of the members are independent.

The Committee plans three to four meetings per annum.

Other ad hoc work

Until April 2018, two members of the Board of Directors and three members of the Executive Board were part of an ad hoc committee established in 2017 which focused on the separation of the energy businesses (for further description, see the Annual Report for 2017). The ad hoc committee was dissolved following completion of the sale of Mærsk Olie og Gas A/S.

Group Internal Audit

Group Internal Audit was established in 1998, and provides assurance to the Board of Directors and the Audit Committee and acts independently of the Executive Board. Group Internal Audit's main focus is on reviewing the effectiveness of internal controls, procedures and systems to prevent and detect irregularities. The Head of Group Internal Audit reports to the Chairman of the Board of Directors and to the Audit Committee.

The Executive Board

The members of the registered management (the Executive Board) of A.P. Møller - Mærsk A/S as of 1 January 2018 were Søren Skou (CEO), Claus V. Hemmingsen (Vice CEO), Jakob Stausholm (Chief Finance, Strategy and Transformation Officer), Vincent Clerc (CCO), Morten H. Engelstoft (CEO of APM Terminals) and Søren Toft (COO). On 31 March 2018, Jakob Stausholm stepped down as Chief Finance, Strategy and Transformation Officer and left the company. On 1 January 2019, Carolina Dybeck Happe took up the position as Chief Financial Officer (CFO) and became a member of the Executive Board. Further information about the members of the Executive Board, including names, photos and occupations can be found at http://investor.maersk.com/management.

Members of the Executive Board are appointed by the Board of Directors to carry out the day-to-day management of the company. •

Board of Directors

Responsibility for the overall governance and strategic direction of the company, including for instance:

- Lay down general business and governance principles
- of the company.
- Decide the strategy and risk policies for the company.
- Approve material M&A transactions, investments and divestments.
- Supervise the performance of the company, the Executive Board and to secure the proper organisation of the company.
- Review the company's financial position, capital resources, and reporting on financials and performance.
- Appoint members of the Executive Board.

In 2018, the Board of Directors held 10 meetings, and the attendance rate was 95.1%.

Executive Board

- Carry out the day-to-day management of the company in accordance with the directions provided by the Board of Directors.
- Develop the business and submit strategy proposals to the Board of Directors for decision.
- Implement the strategy for the company, and execute on investments and divestments.
- Develop the organisational structure of the company and allocate resources.
- Drive and monitor the performance of the company.
- Prepare internal and external financial reporting.
- Monitor and plan capital resources and liquidity.
- Establish and implement internal policies and procedures for relevant topics such as accounting, finance, IT, etc.
- Enterprise Risk Management.
- Reporting to the Board of Directors.

Matters handled by the Board of Directors in 2018 (including but not limited to):

- Strategy and business plan review, target setting and budget approval.
- Follow-up on M&A activities.
- Monitor and assess structural solutions for separation of the energy businesses, including completion of the sale of Mærsk Olie og Gas A/S to Total S.A. and preparation of the demerger and listing of Maersk Drilling.
- Review of safety and compliance frameworks and organisation.
- Monitor the company's financial policy, credit rating, debt levels and capital structure, including decision on the sale of Total S.A. shares.
- Adoption and monitoring of a new IT strategy and cyber security standard.
- Monitor the transformation and re-organisation of the company to become the ´Global integrator of container logistics´.
- Corporate governance, establishment of the Nomination Committee and update of rules of procedure of the Board and Board committees.
- Board evaluation.
- Recruitment of a new CFO.
- Approval of the Annual Report 2017 and the 2018 Interim Reports as well as review of monthly and quarterly financial reporting and forecasting.

Matters handled by the Board Committees in 2018 (including but not limited to):

The Chairmanship

- Preparations and planning in relation to Board meetings.
- Coordination and sparring with the Executive Board.

In 2018, the Chairmanship held nine meetings, and the attendance rate was 100%.

The Audit Committee

- Monitor the financial reporting process, including accounting estimates and risks, accounting policies and reporting process integrity.
- Review annual and interim financial reports, and the change of reporting structure/ segments in 2018.
- Monitor the effectiveness of internal control systems, fraud risks and fraud prevention.
- Review joint taxation and material related parties' transactions incl. the joint usage agreement with A.P. Møller Holding A/S on trademarks.
- Discuss key audit matters, monitor the services, audit plans, reports, independence of external auditors and recommend statutory auditor for election.
- Monitor the Group Internal Audit function, its independence, scope and performance, resources and reporting and the resolution of audit findings.
- Oversee the company's Enterprise Risk Management framework and processes, and review key enterprise risks and related mitigation plans.
- Meet with the Head of Group Internal Audit, CFO, Head of Accounting and Control, other functional leaders and external auditors.

In 2018, the Audit Committee held eight meetings, and the overall attendance rate was 95.8%.

The Nomination Committee

- Review and assess the composition, succession planning, competencies and diversity of the Board of Directors (part of the Board evaluation).
- Identify candidates for membership of the Board of Directors.
- Assess independence criteria.

In 2018, the Nomination Committee held five meetings, and the attendance rate was 100%.

The Remuneration Committee

- Review and define benchmarks for executive remuneration.
- Review, monitor and propose to the Board the remuneration packages of the Executive Board for 2018 and 2019.
- Review and propose changes to Remuneration Policy and Incentive Guidelines.
- Preparation for the implementation of the Shareholder Rights Directive.
- Propose Directors' fees.

In 2018, the Remuneration Committee held three meetings, and the attendance rate was 100%.

The Transformation & Innovation Committee

- Support the development of the transformation and technology agenda by overseeing progress of strategic projects.
- Act as a sparring partner for the Executive Board within innovation, consolidation and growth.
- Assist in setting the standard and ambition level for the IT strategy and cyber security and follow-up on progress.
- Focus the Board of Directors' attention on future opportunities.

In 2018, the Transformation & Innovation Committee held four meetings, and the attendance rate was 100%.

Board of Directors

From the left:
Thomas Lindegaard Madsen
Robert Mærsk Uggla
Jan Leschly
Ane Mærsk Mc-Kinney Uggla
Robert Routs
Jim Hagemann Snabe
Jacob Andersen Sterling
Dorothee Blessing
Niels Bjørn Christiansen
Arne Karlsson

Jim Hagemann Snabe

Born	1965
Gender	Male
Joined the Board	2016
Current election period	2018-2020

Chairman of the Board of Directors and the Remuneration Committee. Member of the Audit Committee, the Nomination Committee and the Transformation & Innovation Committee

Considered independent

Former Co-CEO, SAP AG, Germany

Other management duties, etc.
- Siemens AG[1] (Chairman)
- Allianz SE[1] (Vice Chairman)
- World Economic Forum (member of the Board of Trustees)

Education
- MSc in Economics and Business Administration (Cand.merc.), Aarhus School of Business (now Aarhus University), 1989
- Master's in Operational Research, Aarhus School of Business, 1990
- AviraQuest, Insead, 2002

Qualifications
Board experience from a.o. international, listed technology and innovation companies and from the financial sector. Management experience from global, listed IT companies.

Attendance in Board and Committee meetings during 2018

10 out of 10	Board meetings
9 out of 9	Chairmanship meetings
7 out of 7[2]	Audit Committee meetings
5 out of 5	Nomination Committee meetings
3 out of 3	Remuneration Committee meetings
4 out of 4	Transformation & Innovation Committee meetings

[1] Listed company
[2] In 2018, the Audit Committee held a total of eight meetings, however, one of these was before Jim Hagemann Snabe joined the Audit Committee.

Ane Mærsk Mc-Kinney Uggla

Born	1948
Gender	Female
Joined the Board	1991
Current election period	2018-2020

Vice-Chairman of the Board of Directors and Chairman of the Nomination Committee

Not considered independent due to membership of the Board of A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal

Other management duties, etc.
- A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal (Chairman)
- Den A.P. Møllerske Støttefond (Chairman)
- A.P. Møller Holding A/S (Chairman)
- Maersk Broker A/S (Chairman)
- Maersk Broker K/S (Chairman)
- Estemco III ApS (CEO)
- Timer ApS (CEO)

Education
- Master of Arts, 1977

Qualifications
Insight into the market fundamentals, values and history of the company. Knowledge of the company´s complex accounting matters.

Attendance in Board and Committee meetings during 2018

10 out of 10	Board meetings
9 out of 9	Chairmanship meetings
5 out of 5	Nomination Committee meetings
1 out of 1[1]	Remuneration Committee meetings

[1] In 2018, the Remuneration Committee held a total of three meetings, however, two of these were held after Ane Mærsk Mc-Kinney Uggla stepped down from the Remuneration Committee.

Dorothee Blessing

Born	1967
Gender	Female
Joined the Board	2014
Current election period	2017-2019

Considered independent

Managing Director, Regional Head for J.P. Morgan in Germany, Austria, Switzerland, Israel, Ireland and the Nordics, responsible for all lines of business and Vice Chairman of Investment Banking EMEA and CEO of J.P. Morgan AG

Other management duties, etc.
- Member of J.P. Morgan's European Management Committee
- Member of the Board of Directors of the Association of German Banks

Education
- MSc in Economics (lic.oec.), University of St Gallen, Switzerland

Qualifications
Financial insight. Leadership experience from international investment banking and financial institutions.

Attendance in Board and Committee meetings during 2018

9 out of 10	Board meetings

Niels Bjørn Christiansen

Born	1966
Gender	Male
Joined the Board	2014
Current election period	2017-2019

Chairman of the Transformation & Innovation Committee

Considered independent

CEO of LEGO A/S

Other management duties, etc.
- William Demant Holding A/S (Chairman)

Education
- MSc in Engineering (DTU Denmark), 1991
- MBA from INSEAD, 1993

Qualifications
Management experience in large, global high-tech and industrial innovation companies. Board experience from both listed and private companies within the financial sector, private equity and industry.

Attendance in Board and Committee meetings during 2018

10 out of 10	Board meetings
0 out of 1[1]	Audit Committee meetings
4 out of 4	Transformation & Innovation Committee meetings

[1] In 2018, the Audit Committee held a total of eight meetings, however, seven of these were held after Niels Bjørn Christiansen stepped down from the Audit Committee.

Arne Karlsson

Born	1958
Gender	Male
Joined the Board	2010
Current election period	2017-2019

Chairman of the Audit Committee

Considered independent

Former CEO of Ratos AB

Other management duties, etc.
- SNS Förtroenderåd (SNS Board of Trustees) (Chairman)
- Einar Mattsson (Chairman)
- Swedish Corporate Governance Board (Chairman)
- Ecolean (Chairman)
- Swedish Securities Council and World's Children's Prize Foundation (WCPF) (Chairman)
- ROL AB (Chairman)
- Girovent Holding AB (and one subsidiary of Girovent Holding AB)

Education
- BSc in Business and Economics, Stockholm School of Economics, 1982

Qualifications
Experience from positions as CEO and board member of different companies and with managing and developing a diverse portfolio of businesses operating in different markets.

Attendance in Board and Committee meetings during 2018

10 out of 10	Board meetings
8 out of 8	Audit Committee meetings

Jan Leschly

Born	1940
Gender	Male
Joined the Board	2000
Current election period	2018-2020

Not considered independent due to more than 12 years of service on the Board of Directors

Chairman and managing partner of Care Capital LLC. Former CEO, SmithKlineBeecham

Other management duties, etc.
- A.P. Møller Holding A/S
- Adjunct professor at Copenhagen Business School

Education
- MSc in Pharmacy, Copenhagen College of Pharmacy, 1965
- Master of Business Economics, Copenhagen School of Economics and Business Administration, 1970

Qualifications
Experience from positions as CEO, board member and chairman of large listed companies with global activities. Experience with leadership of research and innovation companies.

Attendance in Board and Committee meetings during 2018

9 out of 10	Board meetings

Thomas Lindegaard Madsen

Born	1972
Gender	Male
Joined the Board	2018
Current election period	2018-2020

Not considered independent due to employment in A.P. Moller - Maersk

Captain, Maersk Line

Other management duties, etc.
- None

Education
- Graduated Master, Svendborg Navigations Skole, 1996

Qualifications
Captain in Maersk Line since 2011 and Chief Officer in Maersk Line from 2004-2011. Technical, maritime and operational knowledge relevant to the shipping activities in Maersk.

Attendance in Board and Committee meetings during 2018

7 out of 7[1]	Board meetings

[1] In 2018, the Board held a total of 10 meetings, however, three of these were before Thomas Lindegaard Madsen joined the Board of Directors.

Robert Routs

Born	1946
Gender	Male
Joined the Board	2010
Current election period	2018-2020

Member of the Remuneration Committee and the Audit Committee and elected risk expert in the Audit Committee

Considered independent

Former Executive Director, Royal Dutch Shell plc.

Other management duties, etc.
- DSM NV[1] (Chairman)
- ATCO Group[1]
- AECOM[1]

Education
- MSc in Chemical Engineering, Technical University of Eindhoven, 1969
- PhD in Technical Sciences, Technical University of Eindhoven, 1971

Qualifications
Technical, commercial and managerial experience. More than 30 years of international working experience in research, general management and from CEO positions in the oil and gas, chemical, renewables and trading industry, including positions in listed companies.

Attendance in Board and Committee meetings during 2018

9 out of 10	Board meetings
8 out of 8	Audit Committee meetings
2 out of 2[2]	Remuneration Committee meetings

[1] Listed company.
[2] In 2018, the Remuneration Committee held a total of three meetings, however, one of these was held before Robert Routs joined the Remuneration Committee.

Jacob Andersen Sterling

Born	1975
Gender	Male
Joined the Board	2018
Current election period	2018-2020

Not considered independent due to employment in A.P. Moller - Maersk

Head of Charge Management Excellence, Maersk

Other management duties, etc.
- Member of the Board of Directors, NEPCon

Education
- MSc in Biology, University of Copenhagen, 2002

Qualifications
Head of Charge Management Excellence in A.P. Moller - Maersk. Relevant knowledge within development, standardisation and pricing of products, as well as with sustainability and environment through employment in Maersk Line since 2009.

Attendance in Board and Committee meetings during 2018

7 out of 7[1]	Board meetings

[1] In 2018, the Board held a total of 10 meetings, however, three of these were before Jacob Andersen Sterling joined the Board of Directors.

Robert Mærsk Uggla

Born	1978
Gender	Male
Joined the Board	2014
Current election period	2018-2020

Member of the Nomination Committee, the Remuneration Committee and the Transformation & Innovation Committee

Not considered independent due to the position as CEO of A.P. Møller Holding A/S

CEO of A.P. Møller Holding A/S

Other management duties, etc.
- A.P. Møller Capital P/S (Chairman)
- Maersk Product Tankers A/S (Chairman)
- Agata ApS (CEO)
- Estemco XII ApS (CEO)
- Foundation Board of IMD and board positions in four subsidiaries of A.P. Møller Holding A/S

Education
- MSc in Business Administration (2003), Stockholm School of Economics, including studies at Università Commerciale Luigi Bocconi
- Executive education at The Wharton School of the University of Pennsylvania, Stanford Business School and Harvard Business School

Qualifications
Leadership experience within investments, incubation, shipping and marine services.

Attendance in Board and Committee meetings during 2018

10 out of 10	Board meetings
5 out of 5	Nomination Committee meetings
2 out of 2[1]	Remuneration Committee meetings
4 out of 4	Transformation & Innovation Committee meetings

[1] In 2018, the Remuneration Committee held a total of three meetings, however, one of these was before Robert Mærsk Uggla joined the Remuneration Committee.

Executive Board

From the left:
Søren Toft
Carolina Dybeck Happe
Søren Skou
Claus V. Hemmingsen
Vincent Clerc
Morten Engelstoft

Søren Skou
Chief Executive Officer (CEO)

Born	1964
Gender	Male
Joined the Executive Board	2007

Other management duties, etc.
- MITHEL Invest ApS
- International Council of Containership Operators (ICCO)
- Member of European Round Table of Industrialists

Claus V. Hemmingsen
Vice Chief Executive Officer (Vice CEO)

Born	1962
Gender	Male
Joined the Executive Board	2007

Other management duties, etc.
- DFDS A/S (Chairman)
- Danske Rederier (Vice Chairman)
- Danish Chinese Business Forum (Chairman)
- Den A.P. Møllerske Støttefond
- International Chamber of Shipping

Carolina Dybeck Happe
Chief Financial Officer (CFO)

Born	1972
Gender	Female
Joined the Executive Board	2019

Other management duties, etc.
- E-ON SE

Vincent Clerc
Chief Commercial Officer (CCO)

Born	1972
Gender	Male
Joined the Executive Board	2017

Other management duties, etc.
- None

Morten Engelstoft
Chief Executive Officer (CEO), APM Terminals

Born	1967
Gender	Male
Joined the Executive Board	2017

Other management duties, etc.
- Global Ports Investments (Chairman)
- TT Club Mutual Insurance Ltd
- Chembulk Tankers

Søren Toft
Chief Operating Officer (COO)

Born	1974
Gender	Male
Joined the Executive Board	2017

Other management duties, etc.
- ST-AIM Holding ApS (CEO)
- World Shipping Council

Remuneration

The Remuneration Committee

A.P. Moller - Maersk established the Remuneration Committee in May 2018 to ensure that the remuneration policy and practices support the company's strategy and create value for shareholders.

Since the establishment of the Committee, it has been committed to strengthening the governance, refining the operating model and structuring the annual remuneration agenda. This allows the Committee to follow a steady cadence which supports the consistency and quality of its work.

In 2018, the disclosure of executive remuneration has been a focus area. The Remuneration Committee is working towards ensuring increased transparency for shareholders as well as identifying how remuneration can be actively utilised to connect the interests of executive management with shareholder interests. In the light of upcoming amendments to remuneration disclosure as part of the Shareholder Rights Directive, and the recently updated Danish Corporate Governance Code, the remuneration section of this report has been expanded from previous years to provide greater transparency, and it will continue to be developed in future.

Introduction

As A.P. Moller - Maersk progresses towards its vision of becoming the global integrator of container logistics, executive remuneration continues to be a key factor in emphasising business priorities including financial performance, technological progress and customer experience. Executive remuneration at A.P. Moller - Maersk consists of a selection of programmes, which are designed to support the achievement of business goals, and balance short-term and long-term objectives in line with A.P. Moller - Maersk´s core value of Constant Care – taking care of today while actively preparing for tomorrow.

This section provides an overview of:

- A.P. Moller - Maersk's remuneration philosophy and objectives applicable to the Board of Directors and the Executive Board
- The components of board and executive remuneration
- The total remuneration awarded to the Board of Directors and Executive Board members in 2018.

Remuneration objectives and philosophy

Remuneration at A.P. Moller - Maersk is intended to drive a 'pay for performance' culture, by aligning reward to company performance and shareholder value creation.

The remuneration policy for the Board of Directors and the Executive Board is aligned with the objectives and philosophy set out in the below table.

Remuneration structure
Executive Board

Executive Board remuneration is decided by the Board of Directors based on recommendations from the Remuneration Committee. The Board of Directors may delegate, in whole or in part, its decision-making powers to the Remuneration Committee.

Remuneration levels are guided by comparison to other international companies of comparable size and complexity based in Europe.

The Executive Board remuneration structure is simple and transparent in design, and consists of the key elements outlined in the table on page 63.

The Executive Board members have service contracts which include a company notice period which is in line with market practice for peer companies in Europe. In the event of involuntary termination, the notice period can be up to and no more than 24 months.

Executive Board fixed base salary

Fixed base salary is the annual guaranteed cash wage awarded to the Executive Board members and is inclusive of pension contribution and company car. It is reviewed by the Committee annually. For 2018, the fixed base salary remained unchanged from 2017 for the Executive Board members.

Remuneration objectives and philosophy

Objectives	Philosophy
The remuneration policy and practices are designed to support: • Delivering strong business and financial results to grow shareholder value, and • The attraction, retention and motivation of a highly effective executive team.	**The remuneration philosophy is built on the following principles:** • Aligns the interests of executives with those of shareholders • Pays for performance and the company's achievement of financial and strategic objectives • Rewards behaviours that drive company growth through collaboration, agility and customer and people orientation.

Executive Board short-term cash incentive

The short-term cash incentive plan is one of the main vehicles for driving pay for company performance. It provides Executive Board members with an annual cash award that is linked to performance against defined targets for the financial year.

The short-term cash incentive plan of 2018 had a key focus on financial measures, including underlying profit, revenue and cash flow.

In addition, transformational measures and customer experience were emphasised to support the focus on the need for the company to transform and move towards becoming the global integrator of container logistics.

Targets for these measurements were set in accordance with guidance provided to the external market for underlying profit and internal business plans for the remaining measurements.

In 2018, the Committee has reviewed the short-term cash incentive plan for the Executive Board. As approved at the Annual General Meeting in April 2018, the target incentive opportunity for the Executive Board members was changed from 25% to 40-50% of the fixed base salary, and the maximum incentive opportunity was changed from 50% to 80-100% of the fixed base salary. The changes were made to better align with European market practice and incentivise the Executive Board members to achieve the company's short-term goals.

Executive Board remuneration at a glance

Element	Purpose	Type	Key features
Fixed base salary	Recognises market value and Executive Board members' performance, contribution and leadership.	Cash	• Fixed base salary is an annual cash wage. From this wage, the Executive Board members cover the costs of pension and company car.
Short-term cash incentive	Focuses and rewards Executive Board members on the achievement of short-term company goals.	Cash	• Target incentive opportunity is set as a percentage of the annual fixed base salary. • Pay-out is based on company performance against a scorecard of annual financial and transformation goals.
Long-term share-based Incentives	Links executive remuneration to the achievement of long-term corporate goals and supports executive retention.	Shares/ options	• Equity-based remuneration is awarded under two different plans - the restricted shares plan and the stock option plan. • Both plans offer an annual grant to the Executive Board members. The restricted share award is delivered in the form of Maersk B shares based on a fixed annual amount, while grants under the stock option plan are based on a percentage of fixed base salary.
Benefits	Provides for the Executive Board members' welfare needs.	Benefits	• Benefits applicable to the Executive Board members include non-monetary elements such as insurance coverage, annual health check, phone, training/ education, company driver, news subscriptions and similar.

Executive Board long-term share-based incentives

The long-term incentives, delivered in the form of annual restricted share and premium priced stock option grants, promote retention and ensure that the Executive Board members maintain exposure to the development in the share price.

As adopted at the 2018 Annual General Meeting, the cash allowance previously offered to some Executive Board members to fund purchases of company shares was replaced by restricted share grants as of 2018. The change is to achieve retention of Executive Board members and align their long-term interests with those of the company´s shareholders.

A summary of the long-term share-based incentive programmes are set out in the table on page 64.

Board of Directors

The Board of Directors considers director remuneration at least once a year based on recommendations from the Chairman of the Board. In formulating these recommendations, the Chairman is guided by comparisons to other international companies of comparable size and complexity based in Europe. The directors' remuneration for the previous year is approved at the Annual General Meeting as part of the review and approval of the Annual Report.

Each member of the Board of Directors receives a fixed annual fee:

- Ordinary Board members receive a fixed amount
- The Vice Chairman receives fixed multiples thereof
- The Chairman receives a fixed amount.

Directors serving on the Board committees or performing ad hoc work beyond the normal responsibilities as a board member receive an additional fixed fee. Members of the Board of Directors and the Board committees do not receive any incentive-based remuneration.

Total remuneration 2018

The table below shows the 2015-2018 financial impact of the remuneration awarded to the Executive Board members in aggregate, as set out in note 2 to the consolidated financial statements.

The Board of Directors´ fees have remained consistently at USD 3m during the period 2015-2018. •

2015-2018 Executive Board remuneration

Element	**Remuneration** (USD m)			
	2018	**2017**	**2016**	**2015**
Fixed base salary	10	8	13	15
Short-term cash incentive	5	2	2	3
Long-term share-based incentives	1	1	-2	-
Remuneration in connection with redundancy, resignations and release from duty to work	4	-	22	-
Lump sum retirement payment	-	-	-1	1
Total	**20**	**11**	**34**	**19**

Long-term share-based incentive programmes

	Restricted shares plan	**Stock option plan**
Purpose	• The restricted shares plan supports the retention of Executive Board members and drives the alignment between the Executive Board and shareholder interests.	• The stock option plan focuses on value creation, and strengthens the alignment between executives and shareholders by emphasising the focus needed on growing the value of the company.
Key features	• The vesting period for restricted share grants awarded in 2018 is five years. • The actual value of restricted shares is directly linked to the company share price, motivating executives to deliver business results and drive growth.	• Maersk B shares are ´premium priced´, meaning the exercise price for the stock option is set at 110% of the volume-weighted average share price of Maersk B shares traded on Nasdaq Copenhagen on the five trading days immediately following publication of the company's Annual Report most recent to the time of grant. • The stock options granted in 2018 have a three-year vesting period. • Any vested stock options must be exercised within three years of the vesting date or they expire. • A stock option awarded in 2018 gives the right to purchase one B share in A.P. Moller - Maersk with a value of DKK 11,524.
Grant value	• The fair market value of the restricted shares granted within a given financial year can amount to up to 25% of the fixed base salary of the Executive Board member in the year of the grant.	• The fair market value of the stock options granted within a given financial year can amount to up to 25% of the fixed base salary of the Executive Board member in the year of the grant.

Shareholder information

The share price decreased by 25% over the year, implying a total shareholder return of negative 23% for 2018. The Board of Directors in A.P. Møller - Mærsk A/S proposes an ordinary dividend of DKK 150 per share corresponding to a dividend yield of 1.8%.

Share price development

The Maersk B share price decreased by 25% from its closing price at the end of 2017 of DKK 10,840. By comparison, the benchmark indices MSCI World Transportation and OMXC25 decreased by 12% and 13%, respectively. The Maersk B share price reached its highest price of DKK 11,605 on 8 January 2018, and its lowest price of DKK 7,600 on 11 July 2018. The total market value of A.P. Møller - Mærsk A/S was USD 25.3bn at the end of 2018. The negative share price performance throughout the year was a consequence of the negative financial impact from deteriorating market conditions in the container liner industry, container rates not fully capturing the higher bunker cost, global trade tensions mainly due to the US-China trade war, and the company's financial performance not meeting expectations.

Share capital

Maersk shares are listed on Nasdaq Copenhagen and are divided into two classes: A shares with voting rights and B shares without voting rights. Each DKK 1,000 A share entitles the holder to two votes.

The A.P. Møller - Mærsk A/S share capital amounts to nominally DKK 20,816,862,000, divided between 10,756,378 A shares of nominally DKK 1,000 and 10,060,484 B shares of nominally DKK 1,000.

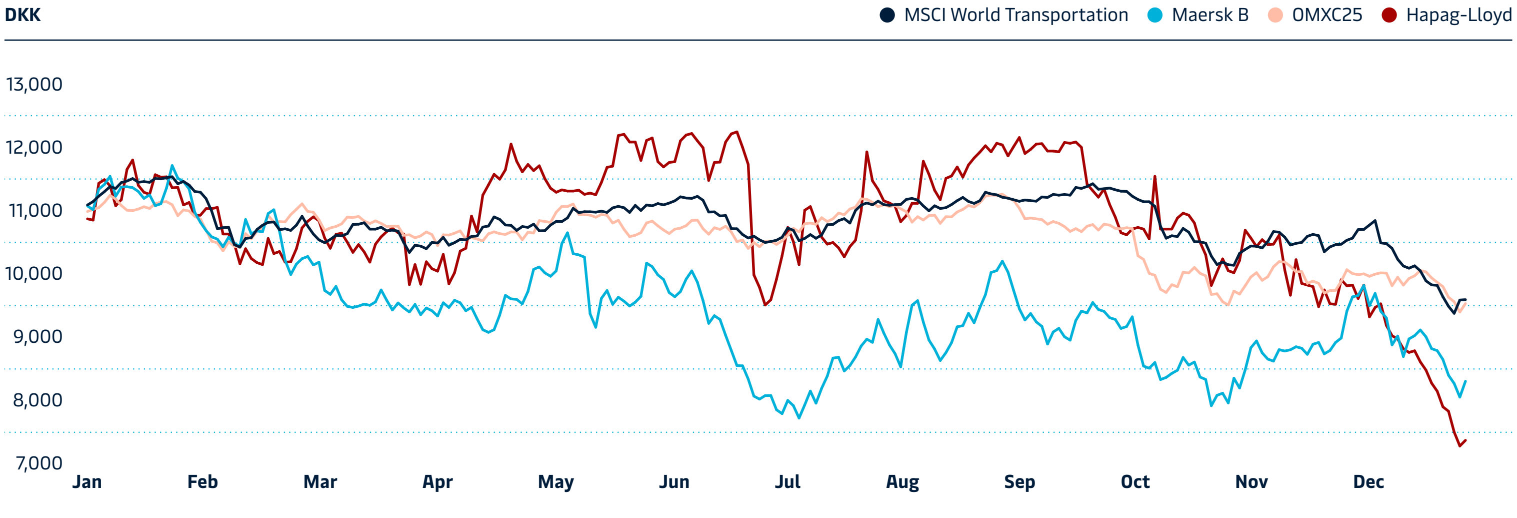
Ownership

The total number of registered shareholders increased by 1,000 to around 82,800 during 2018. Shareholders with more than 5% of share capital or votes held 53% of the share capital, while the 20 largest institutional shareholders together owned around 14% of the total share capital and 32% adjusted for the free-float. Danish retail investors have decreased their ownership from 19% to 16% of the total share capital since the end of 2017.

Own shares

A.P. Moller - Maersk holding of own shares comprised 0.27% of the share capital at the end of 2018, cf. note 10 in the consolidated financial statements.

Share price development



Source Bloomberg; data are rebased from the Maersk B share price at the end of December 2018.

The Maersk B share price reached its highest price of DKK 11,605 on 8 January and its lowest price of DKK 7,600 on 11 July.

Financial calendar

2 April	Annual General Meeting
24 May	Interim Report Q1 2019
15 August	Interim Report Q2 2019
15 November	Interim Report Q3 2019

Dividend

Dividend is the primary distribution of capital to the company's shareholders. A.P. Møller - Mærsk A/S' objective is to increase the nominal dividend per share over time supported by underlying earnings growth.

The Board of Directors proposes an ordinary dividend to the shareholders of DKK 150 per share of DKK 1,000 (DKK 150 per share of DKK 1,000). The proposed dividend payment represents an ordinary dividend yield of 1.8% (1.4%), based on the Maersk B share's closing price of DKK 8,184 as of 28 December 2018. Payment is expected to take place on 8 April 2019.

Annual General Meeting

The Annual General Meeting will be held on 2 April 2019 in Copenhagen, Denmark.

Investor Relations

To keep investors and analysts updated on the company's strategic development, market outlook and financial performance, A.P. Moller - Maersk arranges road-shows and participates in investor and industry conferences. Investor Relations, besides meeting domestic investors, also travels extensively to ensure that international investors are kept updated on the latest developments. In 2018, the Executive Board and the Investor Relations team had more than 400 meetings with the participation of more than 1,000 investors and analysts in Europe, Asia, Australia and the US.

A.P. Moller - Maersk is covered by around 30 sell-side analysts, predominantly from international investment banks, who regularly publish research reports and sector reports. A list of the analysts and other relevant information, including financial reports, investor presentations, share and bond information, is available at http://investor.maersk.com •

Shareholders with more than 5% of share capital or votes

Shareholders according to section 55 of the Danish Companies Act are	Share capital	Votes
A.P. Møller Holding A/S, Copenhagen, Denmark	41.51%	51.45%
A.P. Møller og Hustru Chastine Mc-Kinney Møllers Familiefond, Copenhagen, Denmark	8.84%	13.12%
Den A.P. Møllerske Støttefond, Copenhagen, Denmark	3.11%	5.99%

The Maersk share

Key figures	**2018**	2017	2016	2015	2014
Year-end share price (DKK, B share)	8,184	10,840	11,270	8,975	12,370
Share price range (DKK, B share)	4,005	3,990	4,140	7,605	4,100
Market capitalisation at year-end (USD bn, A and B share)	25.3	35.4	32.2	27.6	42.8
Earnings per share (USD)	152	-58	-93	37	230
Dividend per share (DKK, A and B share)[1]	150	150	150	300	300
Dividend yield (B share)	1.8%	1.4%	1.3%	3.3%	15.9%[2]
Share buy-back programme (DKK bn)[3]	-	-	3.2	5.2	3.9

[1] Ordinary dividend in proposed year [2] Including extraordinary dividend [3] Actual payments on a cash basis

Financials 2018

Consolidated financial statements 2018

Parent company financial statements 2018

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Financial statements 2018

A.P. Moller - Maersk

(In parenthesis the corresponding figures for 2017)

Consolidated income statement

Consolidated statement of comprehensive income

Consolidated balance sheet at 31 December

Consolidated cash flow statement

Consolidated statement of changes in equity

Notes to the consolidated financial statements

Amounts in USD million

Consolidated income statement

Note		2018	2017
1	Revenue	39,019	30,945
2	Operating costs	35,368	27,420
	Other income	337	200
	Other costs	182	193
1	**Profit before depreciation, amortisation and impairment losses, etc.**	**3,806**	**3,532**
6,7	Depreciation, amortisation and impairment losses, net	3,325	3,015
3	Gain on sale of non-current assets, etc., net	144	154
	Share of profit/loss in joint ventures	117	-131
	Share of profit/loss in associated companies	-115	101
	Profit/loss before financial items	**627**	**641**
4	Financial income	1,014	1,382
4	Financial expenses	1,403	1,998
	Profit/loss before tax	**238**	**25**
5	Tax	386	219
	Profit/loss for the period – continuing operations	**-148**	**-194**
9	Profit/loss for the period – discontinued operations	3,369	-970
	Profit/loss for the period	**3,221**	**-1,164**
	OF WHICH:		
	Non-controlling interests	52	41
	A.P. Møller - Mærsk A/S' share	**3,169**	**-1,205**
10	**Earnings per share – continuing operations, USD**	**-10**	**-11**
10	**Diluted earnings per share – continuing operations, USD**	**-10**	**-11**
10	**Earnings per share, USD**	**152**	**-58**
10	**Diluted earnings per share, USD**	**152**	**-58**

Maersk Oil, Maersk Tankers, Maersk Drilling and Maersk Supply Service were classified as discontinued operations in 2017, and the businesses are presented separately on an aggregated level in the income statement, balance sheet and cash flow statements. In accordance with IFRS, the income statement and cash flow statement have both been restated in previous periods, while the balance sheet has not been restated.

Consolidated statement of comprehensive income

Note		2018	2017
	Profit/loss for the year	**3,221**	**-1,164**
	Translation from functional currency to presentation currency:		
	Translation impact arising during the year	-345	365
	Reclassified to income statement, gain on sale of non-current assets, etc., net	-	60
15	Cash flow hedges:		
	Value adjustment of hedges for the year	-149	341
	Reclassified to income statement		
	– revenue	-2	-4
	– operating costs	-2	-45
	– financial expenses	31	55
	– discontinued operations	-7	-3
	Reclassified to non-current assets	-6	-28
5	Tax on other comprehensive income	8	-32
	Share of other comprehensive income of joint ventures and associated companies, net of tax	2	2
	Total items that have been or may be reclassified subsequently to the income statement	**-470**	**711**
16	Other equity investments (FVOCI), fair value adjustments for the year	-134	138
13	Actuarial gains/losses on defined benefit plans, etc.	-7	159
5	Tax on other comprehensive income	-38	-11
	Total items that will not be reclassified to the income statement	**-179**	**286**
	Other comprehensive income, net of tax	**-649**	**997**
	Total comprehensive income for the year	**2,572**	**-167**
	OF WHICH:		
	Non-controlling interests	38	47
	A.P. Møller - Mærsk A/S' share	**2,534**	**-214**

Amounts in USD million

Consolidated balance sheet at 31 December

Note		2018	2017
6	**Intangible assets**	**4,273**	**4,365**
7	**Property, plant and equipment**	**30,275**	**31,071**
	Investments in joint ventures	1,332	1,394
	Investments in associated companies	754	963
16	Other equity investments	41	30
15	Derivatives	135	260
13	Pensions, net assets	285	298
	Loans receivable	172	147
	Other receivables	273	316
	Financial non-current assets, etc.	**2,992**	**3,408**
8	**Deferred tax**	**267**	**302**
	Total non-current assets	**37,807**	**39,146**
	Inventories	**1,064**	**974**
17	Trade receivables	3,759	3,864
	Tax receivables	159	243
15	Derivatives	80	116
	Loans receivable	199	240
	Other receivables	866	923
	Prepayments	550	560
	Receivables, etc.	**5,613**	**5,946**
	Equity investments, etc.	**2,448**	**1**
	Cash and bank balances	**2,851**	**2,171**
9	**Assets held for sale**	**6,853**	**14,989**
	Total current assets	**18,829**	**24,081**
	Total assets	**56,636**	**63,227**

Note		2018	2017
10	Share capital	3,774	3,774
	Reserves	28,847	26,835
	Equity attributable to A.P. Møller - Mærsk A/S	**32,621**	**30,609**
	Non-controlling interests	771	816
	Total equity	**33,392**	**31,425**
12	**Borrowings, non-current**	**9,894**	**15,076**
13	Pensions and similar obligations	259	287
14	Provisions	1,028	1,011
15	Derivatives	242	138
8	Deferred tax	372	461
	Other payables	42	72
	Other non-current liabilities	**1,943**	**1,969**
	Total non-current liabilities	**11,837**	**17,045**
12	**Borrowings, current**	**1,991**	**2,437**
14	Provisions	572	539
	Trade payables	5,134	5,250
	Tax payables	316	282
15	Derivatives	121	128
	Other payables	922	1,241
	Deferred income	182	158
	Other current liabilities	**7,247**	**7,598**
9	**Liabilities associated with assets held for sale**	**2,169**	**4,722**
	Total current liabilities	**11,407**	**14,757**
	Total liabilities	**23,244**	**31,802**
	Total equity and liabilities	**56,636**	**63,227**

Amounts in USD million

Consolidated cash flow statement

Note		**2018**	2017
	Profit/loss before financial items	627	641
6,7	Depreciation, amortisation and impairment losses, net	3,325	3,015
3	Gain on sale of non-current assets, etc., net	-144	-149
	Share of profit/loss in joint ventures	-117	131
	Share of profit/loss in associated companies	115	-101
20	Change in working capital	-358	-282
	Change in provisions and pension obligations, etc.	40	-127
20	Other non-cash items	104	159
	Cash flow from operating activities before tax	3,592	3,287
	Taxes paid	-367	-174
	Cash flow from operating activities	**3,225**	**3,113**
20	Purchase of intangible assets and property, plant and equipment	-2,876	-3,599
	Sale of intangible assets and property, plant and equipment	420	435
21	Acquisition of subsidiaries and activities	33	-4,152
21	Sale of subsidiaries and activities	-77	314
	Sale of associated companies	11	2
	Dividends received	439	213
	Sale of other equity investments	3,033	871
	Other financial investments, net[1]	-4	-58
	Purchase/sale of securities, trading portfolio	-	52
	Cash flow used for investing activities	**979**	**-5,922**
	Repayment of borrowings	-7,604	-2,632
	Proceeds from borrowings	2,126	3,454
	Financial income received	59	131
	Financial expenses paid	-590	-861
	Sale of own shares	-	14
	Dividends distributed	-517	-454
	Dividends distributed to non-controlling interests	-75	-62
	Sale of non-controlling interests	23	4
	Acquisition of non-controlling interest	-60	-13
	Other equity transactions	-10	14
	Cash flow from financing activities	**-6,648**	**-405**
	Net cash flow from continuing operations	**-2,444**	**-3,214**
9	Net cash flow from discontinued operations	3,421	1,251
	Net cash flow for the period	**977**	**-1,963**
	Cash and cash equivalents 1 January	2,268	4,077
	Currency translation effect on cash and cash equivalents	-95	154
	Cash and cash equivalents 31 December	3,150	2,268
	Of which classified as assets held for sale	-385	-109
	Cash and cash equivalents 31 December	**2,765**	**2,159**

[1] In 2018, A.P. Moller-Maersk sold 51.25m Total S.A. shares, generating a cash flow of USD 3bn.

Note		**2018**	2017
	CASH AND CASH EQUIVALENTS		
	Cash and bank balances	2,851	2,171
	Overdrafts	86	12
	Cash and cash equivalents 31 December	**2,765**	**2,159**

Cash and bank balances include USD 1.0bn (USD 1.0bn) relating to cash and bank balances in countries with exchange control or other restrictions. These funds are not readily available for general use by the parent company or other subsidiaries.

As of 1 January 2018, A.P. Moller - Maersk has changed the presentation of financial items in the cash flow statement. Comparative figures have been restated (please refer to note 23).

Amounts in USD million

Consolidated statement of changes in equity

		A.P. Møller - Mærsk A/S							
Note		Share capital	Translation reserve	Reserve for other equity investments	Reserve for hedges	Retained earnings	Total	Non-controlling interests	Total equity
	Equity 1 January 2017	3,774	-706	-232	-255	28,677	31,258	832	32,090
	Other comprehensive income, net of tax	-	420	141	281	149	991	6	997
	Profit/loss for the period	-	-	-	-	-1,205	-1,205	41	-1,164
	Total comprehensive income for the period	**-**	**420**	**141**	**281**	**-1,056**	**-214**	**47**	**-167**
	Dividends to shareholders	-	-	-	-	-454	-454	-62	-516
11	Value of share-based payment	-	-	-	-	10	10	-	10
	Sale of non-controlling interests	-	-	-	-	-	-	-16	-16
	Sale of own shares	-	-	-	-	14	14	-	14
10	Capital increases and decreases	-	-	-	-	-	-	15	15
16	Transfer of gain/loss on disposal of equity investments to retained earnings	-	-	117	-	-117	-	-	-
	Other equity movements	-	-	-	-	-5	-5	-	-5
	Total transactions with shareholders	**-**	**-**	**117**	**-**	**-552**	**-435**	**-63**	**-498**
	Equity 31 December 2017	**3,774**	**-286**	**26**	**26**	**27,069**	**30,609**	**816**	**31,425**
	2018								
	Other comprehensive income, net of tax	-	-330	-171	-129	-5	-635	-14	-649
	Profit/loss for the period	-	-	-	-	3,169	3,169	52	3,221
	Total comprehensive income for the period	**-**	**-330**	**-171**	**-129**	**3,164**	**2,534**	**38**	**2,572**
	Dividends to shareholders	-	-	-	-	-517	-517	-75	-592
11	Value of share-based payment	-	-	-	-	14	14	-	14
	Acquisition of non-controlling interests	-	-	-	-	-31	-31	-29	-60
	Sale of non-controlling interests	-	-	-	-	14	14	9	23
10	Capital increases and decreases	-	-	-	-	-	-	12	12
16	Transfer of gain/loss on disposal of equity investments to retained earnings[1]	-	-	-57	-	57	-	-	-
	Other equity movements	-	-	-	-	-2	-2	-	-2
	Total transactions with shareholders	**-**	**-**	**-57**	**-**	**-465**	**-522**	**-83**	**-605**
	Equity 31 December 2018	**3,774**	**-616**	**-202**	**-103**	**29,768**	**32,621**	**771**	**33,392**

[1] To reduce the net interest-bearing debt, A.P. Moller - Maersk sold 51.25m Total S.A. shares during 2018, generating a cash flow of USD 3bn. The accumulated gain, net of tax, of USD 37m has been transferred within equity.

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Amounts in USD million

Note 1

Segment information

	Ocean	Logistics & Services	Terminals & Towage	Manu-facturing & Others	Total
FULL YEAR 2018					
External revenue	27,990	5,891	2,983	2,121	38,985
Inter-segment revenue	376	191	789	426	1,782
Total segment revenue	**28,366**	**6,082**	**3,772**	**2,547**	**40,767**
Unallocated and eliminations					-1,748
Total revenue	**-**	**-**	**-**	**-**	**39,019**
Segment profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	**3,007**	**98**	**778**	**59**	**3,942**
Unallocated items					-139
Eliminations					3
Consolidated profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)					**3,806** [1]
Segment gross capital expenditures, excl. acquisitions and divestments (CAPEX)	2,279	47	556	16	2,898
Eliminations					-22
Consolidated gross capital expenditures, excl. acquisitions and divestments (CAPEX)					**2,876**

	Ocean	Logistics & Services	Terminals & Towage	Manu-facturing & Others	Total
FULL YEAR 2017					
External revenue	21,663	5,570	2,842	843	30,918
Inter-segment revenue	360	202	639	846	2,047
Total segment revenue	**22,023**	**5,772**	**3,481**	**1,689**	**32,965**
Unallocated and eliminations					-2,020
Total revenue	**-**	**-**	**-**	**-**	**30,945**
Segment profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	**2,777**	**139**	**639**	**173**	**3,728**
Unallocated items					-181
Eliminations					-15
Consolidated profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)					**3,532** [1]
Segment gross capital expenditures, excl. acquisitions and divestments (CAPEX)	2,831	54	704	23	3,612
Eliminations					-13
Gross capital expenditures, excl. acquisitions and divestments (CAPEX)					**3,599**

[1] Reference is made to the income statement for a reconciliation from EBITDA to profit/loss.

As part of the A.P. Moller - Maersk strategy of becoming the global integrator of container logistics, the reportable segments have been reorganised as of Q1 2018 in ´Ocean', ´Logistics & Services', ´Terminals & Towage' and ´Manufacturing & Others'.

The Ocean segment with the activities of Maersk Liner Business (Maersk Line, Safmarine and Sealand – A Maersk Company) together with the Hamburg Süd brands (Hamburg Süd and Aliança) as well as strategic transshipment hubs under the APM Terminals brand. Inland activities related to Maersk Liner Business are included in the Logistics & Services segment.

The Logistics & Services segment with the logistics and supply chain management services, container inland services, inland haulage activities (intermodal), trade finance services and freight forwarding.

The Terminals & Towage segment including gateway terminals, involving landside activities such as port activities where the customers are mainly the carriers, and towage services under the Svitzer brand.

The Manufacturing & Others segment with Maersk Container Industry and others.

The segment disclosures provided above reflect the information which the Executive Board receives monthly in its capacity as 'chief operating decision-maker' as defined in IFRS 8. The allocation of resources and the segment performance are evaluated based on revenue and profitability measured according to earnings before interest, taxes, depreciation and amortisation (EBITDA).

Amounts in USD million

Note 1 — continued

Segment information

USD million	Types of revenue	2018	2017
Ocean	Freight	24,925	19,476
	Other ocean	3,441	2,547
Logistics & Services	Ocean	646	666
	Supply chain management	867	778
	Airfreight	608	659
	Inland haulage	2,569	2,388
	Inland activities	595	589
	Other services	797	692
Terminals & Towage	Terminal services	3,095	2,830
	Towage services	692	659
Manufacturing & Others	Sale of containers and spare parts	978	1,016
	Other shipping activities	719	199
	Other services	850	474
Unallocated activities and eliminations[1]		-1,763	-2,028
Total revenue		**39,019**	**30,945**

[1] Revenue eliminations between terminal services and towage services are included under Unallocated activities and eliminations.

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed as total revenue:

	2018	2017
Revenue from contracts with customers	37,917	30,093
REVENUE FROM OTHER SOURCES		
Vessel-sharing and slot charter income	1,031	829
Lease income	51	13
Others	20	10
Total revenue	**39,019**	**30,945**

Contract balances	2018	2017
Trade receivables	3,532	3,759
Accrued income – contract asset	34	-
Deferred income – contract liability	70	76

Accrued income included in trade receivables in the balance sheet constitutes contract assets comprising unbilled amounts to customers representing the Group's right to consideration for the services transferred to date. Any amount previously recognised as accrued income is reclassified to trade receivables at the time it is invoiced to the customer.

Under the payment terms generally applicable to the Group's revenue generating activities, prepayments are received only to a limited extent. Typically, payment is due upon or after completion of the services.

Part of the deferred income presented in the balance sheet constitutes contract liabilities which represents advance payments and billings in excess of revenue recognised.

There were no significant changes in accrued income and deferred income during the reporting period.

Impairment losses disclosed in Note 17 relate to receivables arising from contracts with customers.

	External revenue		Tax paid		Non-current assets[1]	
Geographical split	2018	2017	2018	2017	2018	2017
Denmark	404	240	+79	+119	17,747	15,825
Brazil	1,525	577	31	26	342	449
China and Hong Kong	2,229	1,937	12	19	2,758	3,047
France	276	238	72	8	3	3
Germany	1,304	962	1	+4	687	4,057
Netherlands	1,160	916	7	18	731	806
Nigeria	682	656	38	15	77	89
Singapore	452	165	3	1	4,504	3,469
UK	1,410	1,255	2	-	143	146
US	6,735	4,917	11	12	1,169	1,341
Other	22,842	19,082	269	198	6,387	6,204
Total	**39,019**	**30,945**	**367**	**174**	**34,548**	**35,436**

[1] Comprise intangible assets and property, plant and equipment relating to continuing operations.

GEOGRAPHICAL INFORMATION
Revenue for the shipping activities is based on the destination for ships operated by the Group and on customer location for ships on time charter. For non-current assets (e.g. terminals), which cannot be easily moved, geographical location is where the assets are located. For all other assets, geographical location is based on the legal ownership. These assets consist mainly of ships and containers registered in China, Denmark, Singapore and the US.

Amounts in USD million

Note 2

Operating costs

	2018	2017
Costs of goods sold	1,182	465
Bunker costs	5,212	3,372
Terminal costs	7,070	5,662
Intermodal costs	4,158	3,122
Port costs	2,392	1,984
Rent and lease costs	2,984	2,294
Staff costs	4,802	4,129
Other	7,568	6,392
Total operating costs	**35,368**	**27,420**
REMUNERATION OF EMPLOYEES		
Wages and salaries	4,103	3,527
Severance payments	70	35
Pension costs, defined benefit plans	33	23
Pension costs, defined contribution plans	265	235
Other social security costs	385	324
Total remuneration	**4,856**	**4,144**
OF WHICH:		
Recognised in the cost of assets	7	1
Included in restructuring costs and other	47	14
Expensed as staff costs	**4,802**	**4,129**
Average number of employees[1]	80,220	75,813

[1] The total number of employees (YTD average) is 84,404, of which 80,220 relate to continuing operations and 4,184 relate to discontinued operations.

Rent and lease costs include contingent rent totalling USD 263m (USD 191m), which entirely relates to operating leases. Rent and lease costs includes the service element.

Customary agreements have been entered into with employees regarding compensation in connection with resignation with consideration for local legislation and collective agreements.

For information about share-based payment, reference is made to note 11.

Fees and remuneration to the Executive Board	2018	2017
Fixed base salary	10	8
Short-term cash incentive	5	2
Long-term share-based incentives	1	1
Remuneration in connection with redundancy, resignation and release from duty to work	4	-
Total remuneration to the Executive Board	**20**	**11**

The contract of employment for the Executive Board contains terms customary in Danish listed companies, including termination notice and competition clauses. In connection with a possible takeover offer, neither the Executive Board nor the Board of Directors will receive special remuneration. Fees and remuneration do not include pension.

The Board of Directors has received fees of USD 3m (USD 3m).

Fees to the statutory auditors	PwC including network firms	
	2018	2017
Statutory audit	13	12
Other assurance services	1	1
Tax and VAT advisory services	1	2
Other services	2	4
Total fees	**17**	**19**

Fees for other services than the statutory audit of the financial statements provided by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab to A.P. Moller - Maersk mainly consist of the audit of non-statutory financial statements, financial due diligence and transaction advice, accounting advisory services, tax advice and other services related to separating discontinued operations, review of the half-year interim report and other advisory accounting and tax services.

Amounts in USD million

Note 3

Gain on sale of non-current assets, etc., net

	2018	2017
Gains[1]	226	203
Losses	82	49
Gain on sale of non-current assets, etc., net	**144**	**154**

[1] Gains in 2018 were primarily related to the disposal of an associate, Inttra Inc., of USD 49m, to the sale and leaseback of three Cap San vessels of USD 38m, and to container sales of USD 17m.

In 2017, gains were mainly related to the sale of Mercosul Line of USD 59m and Pentalver Transport Ltd of USD 31m.

Note 4

Financial income and expenses

	2018	2017
Interest expenses on liabilities	797	630
Of which borrowing costs capitalised on assets[1]	59	63
Interest income on loans and receivables	69	104
Fair value adjustment transferred from equity hedge reserve (loss)	53	55
Unwind of discount on provisions	1	-5
Net interest expenses	**723**	**513**
Exchange rate gains on bank balances, borrowings and working capital	591	645
Exchange rate losses on bank balances, borrowings and working capital	538	1,085
Net foreign exchange gains/losses	**53**	**-440**
Fair value gains from derivatives	74	598
Fair value losses from derivatives	55	268
Fair value gains from securities	-	1
Net fair value gains/losses	**19**	**331**
Dividends received from securities[2]	239	1
Impairment losses on financial non-current receivables	3	-5
Reversal of write-downs of loans and other non-current receivables	26	-
Financial expenses, net[3]	**389**	**616**
OF WHICH:		
Financial income	1,014	1,382
Financial expenses	1,403	1,998

[1] The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 4.3% (4.1%).
[2] Of which USD 139m (USD 1m) pertains to shares held at the end of the year and USD 100m (USD 0m) pertains to shares sold during the year.
[3] Of which USD 45m relates to a loss on the prepayment of issued bonds and USD 30m net of swaps, etc.

For an analysis of gains and losses from derivatives, reference is made to note 15.

Amounts in USD million

Note 5

Tax

	2018	2017
TAX RECOGNISED IN THE INCOME STATEMENT		
Current tax on profits for the year	459	277
Adjustment for current tax of prior periods	-97	-78
Utilisation of previously unrecognised deferred tax assets	-6	-5
Total current tax	**356**	**194**
Origination and reversal of temporary differences	-81	-32
Adjustment for deferred tax of prior periods	-26	5
Adjustment attributable to changes in tax rates and laws	1	-25
Recognition of previous unrecognised deferred tax assets	-7	-12
Reassessment of recoverability of deferred tax assets, net	50	16
Total deferred tax	**-63**	**-48**
Total income tax	**293**	**146**
Tonnage and freight tax	93	73
Total tax expense	**386**	**219**

	2018	2017
TAX RECONCILIATION		
Profit/loss before tax	238	25
Profit/loss subject to Danish and foreign tonnage taxation, etc.	91	-292
Internal gain/loss on sale of assets	-1	-
Share of profit/loss in joint ventures	-117	131
Share of profit/loss in associated companies	115	-101
Profit/loss before tax, adjusted	**326**	**-237**
Tax using the Danish corporation tax rate (22%)	71	-52
Tax rate deviations in foreign jurisdictions	16	-28
Non-taxable income	-54	-96
Non-deductible expenses	179	136
Adjustment to previous years' taxes	-123	-73
Effect of changed tax rate	1	-25
Change in recoverability of deferred tax assets	37	-1
Deferred tax asset not recognised	117	168
Other differences, net	49	117
Total income tax	**293**	**146**
Tax recognised in other comprehensive income and equity	**30**	**42**
OF WHICH:		
Current tax	31	12
Deferred tax	-1	30

Amounts in USD million

Note 6

Intangible assets

	Goodwill	Terminal and service concession rights	Oil concession rights	Customer relations and brand name[1]	Other rights	Total
COST						
1 January 2017	730	2,571	7,442	-	727	11,470
Addition	-	245	75	-	37	357
Acquired in business combinations[1]	388	-	-	1,143	-	1,531
Disposal	-	-	178	-	10	188
Transfer, assets held for sale	-	-	-7,339	-	-241	-7,580
Exchange rate adjustment	32	94	-	-1	16	141
31 December 2017	**1,150**	**2,910**	**-**	**1,142**	**529**	**5,731**
Addition	-	181	-	-	29	210
Acquired in business combinations[1]	-72	-	-	-	-	-72
Disposal	-	-	-	-	4	4
Transfer, assets held for sale	-	-49	-	-	-5	-54
Exchange rate adjustment	-39	-64	-	-6	-11	-120
31 December 2018	**1,039**	**2,978**	**-**	**1,136**	**538**	**5,691**
AMORTISATION AND IMPAIRMENT LOSSES						
1 January 2017	396	274	6,690	-	490	7,850
Amortisation	-	79	42	6	58	185
Impairment losses	-	128	-	-	26	154
Disposal	-	3	164	-	10	177
Transfer, assets held for sale	-	-	-6,568	-	-131	-6,699
Exchange rate adjustment	31	13	-	-	9	53
31 December 2017	**427**	**491**	**-**	**6**	**442**	**1,366**
Amortisation	-	77	-	69	26	172
Impairment losses	4	-	-	-	1	5
Disposal	-	-	-	-	4	4
Transfer, assets held for sale	-	-49	-	-	-5	-54
Exchange rate adjustment	-37	-21	-	-	-9	-67
31 December 2018	**394**	**498**	**-**	**75**	**451**	**1,418**
CARRYING AMOUNT:						
31 December 2017	**723**	**2,419**[2]	**-**	**1,136**	**87**[3]	**4,365**
31 December 2018	**645**	**2,480**[2]	**-**	**1,061**	**87**[3]	**4,273**

[1] Acquisition of Hamburg Süd, please refer to note 21 ´Acquisition/sale of subsidiaries and activities'.

[2] Of which USD 826m (USD 647m) is under development, primarily relating to APM Terminals Moin S.A., Costa Rica. USD 34m (USD 34m) is related to terminal rights with indefinite useful life in Poti Sea Port Corp. The impairment test is based on the estimated fair value according to business plans. An average discount rate of 8.97% (14.8%) p.a. after tax has been applied in the calculations.
Furthermore, the developments in volumes and rates are significant parameters. Service concession rights with a carrying amount of USD 80m (USD 94m) have restricted title.

[3] Of which USD 30m (USD 20m) is related to ongoing development of software.

Amounts in USD million

Note 6 — continued

Intangible assets

IMPAIRMENT ANALYSIS
The recoverable amount of each CGU is determined based on the higher of its value-in-use or fair value less cost to sell. The value-in-use is calculated using certain key assumptions for the expected future cash flows and applied discount factor.

The cash flow projections are based on financial budgets and business plans approved by management. In nature, these projections are subject to judgement and estimates that are uncertain, though based on experience and external sources where available. The discount rates applied reflect the time value of money as well as the specific risks related to the underlying cash flows, i.e. project and/or country-specific risk premium. Further, any uncertainties reflecting past performance and possible variations in the amount or timing of the projected cash flows are generally reflected in the discount rates.

During 2017, certain terminals were faced with challenging market outlooks with decreasing volumes and rates which resulted in impairment losses as recoverable amounts were lower than the carrying amount.

For the intangible assets in Terminals & Towage, the impairment losses can be specified as follows:

	Applied discount rate p.a. after tax		Impairment losses	
Operating segment	**2018**	2017	**2018**	2017
GOODWILL				
Terminals & Towage	6.6%		4	-
TERMINAL AND SERVICE CONCESSION RIGHTS				
Terminals & Towage		6.5% - 12.5%	-	128
OTHER RIGHTS				
Terminals & Towage	6.6%	6.5% - 8%	1	26
Total			**5**	**154**

After impairment losses the recoverable amount of the impaired intangible assets is nil (2017: nil).

GOODWILL IMPAIRMENT TEST
The carrying amount of goodwill has been allocated to the following operating segments and cash generating units based on the management structure.

		Carrying amount	
Operating segment	**Cash generating unit**	**2018**	2017
Ocean	Ocean (Hamburg Süd acquisition)	316	388
Terminals & Towage	Multiple terminals (Grup Marítim TCB acquisition)	248	248
Other		81	87
Total		**645**	**723**

The most significant goodwill amount relates to the Ocean segment, where the impairment test is based on the estimated value in use from five-year business plans and a calculated terminal value with growth equal to the expected economic growth of 2% p.a. in both 2018 and 2017. A discount rate of 7.7% (8.7%) has been applied. For further information on impairment considerations, reference is made to note 24.

The key assumptions for Terminals & Towage's value calculations are container moves, revenue and cost per move and discount rate. The cash flow projections cover the concession period and extension options where deemed likely that they will be exercised. The growth rates assumed reflect current market expectations for the relevant period.

Amounts in USD million

Note 7

Property, plant and equipment

	Ships, containers, etc.	Production facilities and equipment, etc.	Rigs	Construction work in progress and payment on account	Total
COST					
1 January 2017	44,039	31,749	9,982	5,588	91,358
Addition	1,504	60	1	3,799	5,364
Acquired in business combinations	3,801	30	-	37	3,868
Disposal	2,529	9,466	1	28	12,024
Transfer	2,094	1,421	648	-4,163	-
Transfer, assets held for sale	-5,715	-17,481	-10,630	-3,782	-37,608
Exchange rate adjustment	127	310	-	31	468
31 December 2017	**43,321**	**6,623**	**-**	**1,482**	**51,426**
Addition	751	74	-	1,979	2,804
Acquired in business combinations	-8	26	-	1	19
Disposal	766	99	-	5	870
Transfer	1,792	231	-	-2,023	-
Transfer, assets held for sale	-27	-31	-	-	-58
Exchange rate adjustment	-134	-183	-	-34	-351
31 December 2018	**44,929**	**6,641**	**-**	**1,400**	**52,970**
DEPRECIATION AND IMPAIRMENT LOSSES					
1 January 2017	19,975	24,351	4,278	1,258	49,862
Depreciation	2,286	1,123	347	-	3,756
Impairment losses	616	185	1,700	197	2,698
Reversal of impairment losses	-	241	-	-	241
Disposal	2,104	9,432	1	7	11,544
Transfer	79	164	79	-322	-
Transfer, assets held for sale	-3,605	-13,245	-6,403	-1,121	-24,374
Exchange rate adjustment	60	136	-	2	198
31 December 2017	**17,307**	**3,041**	**-**	**7**	**20,355**
Depreciation	2,572	384	-	-	2,956
Impairment losses	11	147	-	13	171
Reversal of impairment losses	1	2	-	-	3
Disposal	514	73	-	-	587
Transfer, assets held for sale	-16	-47	-	-	-63
Exchange rate adjustment	-32	-99	-	-3	-134
31 December 2018	**19,327**	**3,351**	**-**	**17**	**22,695**

	Ships, containers, etc.	Production facilities and equipment, etc.	Rigs	Construction work in progress and payment on account	Total
CARRYING AMOUNT:					
31 December 2017	**26,014**	**3,582**	**-**	**1,475**	**31,071**
31 December 2018	**25,602**	**3,290**	**-**	**1,383**	**30,275**
OF WHICH CARRYING AMOUNT OF FINANCE LEASED ASSETS:					
31 December 2017	**2,947**	**102**	**-**	**4**	**3,053**
31 December 2018	**2,444**	**101**	**-**	**4**	**2,549**

Amounts in USD million

Note 7 — continued

Property, plant and equipment

ACQUIRED IN BUSINESS COMBINATIONS
The additions of USD 3.9bn in 2017 were related to the acquisition of Hamburg Süd.

FINANCE LEASES
As part of the Group's activities, customary leasing agreements are entered, especially regarding the chartering of vessels and the leasing of containers and other equipment. In some cases, the leasing agreements comprise purchase options for the Group and options for extending the lease term. In the financial statements, assets held under finance leases are recognised in the same way as owned assets.

PLEDGES
Ships, buildings, etc. with a carrying amount of USD 2.1bn (USD 2.8bn) have been pledged as security for loans of USD 1.3bn (USD 1.8bn). Pledges related to Maersk Drilling and Maersk Supply Service, please refer to note 9.

IMPAIRMENT ANALYSIS
For general information on the basis for calculating the recoverable amount, reference is made to note 24 and note 6.

In the cash-generating units set out below, the impairment test gave rise to impairment losses and reversals.

		Impairment losses		Reversal of impairment losses		Applied discount rate p.a. after tax		Recoverable amount	
Operating segment	**Cash-generating unit**	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Terminals & Towage	Terminals[1]	20	188	-	-	8.5%	6.5% - 18.3%	20	457
Maersk Tankers	All vessels	-	464	-	-	-	-	-	-
Maersk Oil[2]	Denmark	-	-	-	235	-	-	-	950
Maersk Drilling[2]	Deepwater rigs		1,024				10.5%		1,546
	Jack-up rigs		676				10.5%		2,631
Maersk Supply Service[2]	Anchor Handling Tug Supply vessels		156				-		-
	SSV		166				10.1%		396
	Others		14				10.1%		14
Manufacturing & Others[3]	Container manufacturing facilities	140						45	
Other		11	10	3	6		-		-
Total		**171**	**2,698**	**3**	**241**				

[1] Both in 2017 and 2018, the impairment losses relate to certain terminals in commercially challenged markets.
[2] For Maersk Oil, Maersk Drilling and Maersk Supply Service, impairments were recognised immediately before the initial classification of the businesses as assets held for sale. For further information refer to note 24.
[3] For Maersk Container Industry, the impairment losses relate to the close-down of production facilities. For further information refer to note 24.

Amounts in USD million

Note 8

Deferred tax

Recognised deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net liabilities	
	2018	2017	**2018**	2017	**2018**	2017
Intangible assets	32	26	217	228	185	202
Property, plant and equipment	55	67	220	221	165	154
Provisions, etc.	117	133	6	81	-111	-52
Tax loss carry-forwards	163	190	-	-	-163	-190
Other	25	30	54	75	29	45
Total	**392**	**446**	**497**	**605**	**105**	**159**
Offsets	-125	-144	-125	-144	-	-
Total	**267**	**302**	**372**	**461**	**105**	**159**

Change in deferred tax, net during the year	**2018**	2017
1 January	**159**	**15**
Intangible assets	-10	-7
Property, plant and equipment	1	137
Provisions, etc.	-68	-33
Tax loss carry-forwards	26	-23
Other	-12	19
Recognised in the income statement	**-63**	**93**[1]
Transfer to held for sale	-	53
Other, including business combinations	9	-2
31 December	**105**	**159**

[1] Of which USD 141m is recognised as an expense in discontinued operations.

Unrecognised deferred tax assets – continuing operations	**2018**	2017
Deductible temporary differences	122	149
Tax loss carry-forwards	654	496
Unused tax credits	13	-
Total[2]	**789**	**645**

[2] In addition, deductible temporary differences of USD 0 (USD 852m) and a tax loss carry-forward of USD 36m (USD 442m) relating to discontinued operations are included under Liabilities associated with assets held for sale.

The unrecognised deferred tax assets have no significant time limitations. There are no substantial unrecognised tax liabilities on investments in subsidiaries, associated companies and joint ventures.

Note 9

Discontinued operations and assets held for sale

Discontinued operations include Maersk Oil up to closing in March 2018, Maersk Tankers up to closing in October 2017 as well as Maersk Drilling where A.P. Moller - Maersk will pursue a demerger via a separate listing on Nasdaq Copenhagen on 4 April 2019. A structural solution for Maersk Supply Service is expected within 12 months. The results of the discontinued operations are presented in one separate line in the income statement, cash flow statement and balance sheet. Both the income statement and cash flow statement have been restated in previous periods, while the balance sheet has not been restated.

A.P. Moller - Maersk executed on the strategy to separate out its energy businesses in 2017 with an agreement for Total S.A. to acquire Maersk Oil for USD 7,450m in a combined share and debt transaction, and A.P. Moller Holding to acquire Maersk Tankers for USD 1.2bn in an all-cash transaction.

In the consolidated financial statements, the results for Maersk Oil, Maersk Tankers, Maersk Drilling and Maersk Supply Service are classified under discontinued operations with a net profit of USD 3.4bn (loss of USD 970m), positively impacted by the gain of USD 2.6bn on the sale of Maersk Oil. The cash flow from operating activities was USD 896m (USD 2.0bn), while the cash flow from investing activities, including the net cash proceeds from the Maersk Oil transaction, amounted to USD 1.5bn (negative USD 580m). Total cash flow from the discontinued operations amounted to USD 3.4bn (USD 1.3bn).

Intangible assets held for sale amount to USD 91m for Maersk Drilling and USD 6m for Maersk Supply Service. Property, plant and equipment held for sale mainly consists of Maersk Drilling in the amount of USD 4.9bn and Maersk Supply Service in the amount of USD 838m.

Amounts in USD million

Note 9 — continued

Discontinued operations and assets held for sale

	2018	2017
PROFIT/LOSS FOR THE PERIOD – DISCONTINUED OPERATIONS		
Revenue	2,237	6,555
Expenses	1,291	3,097
Gains/losses on the sale of assets and businesses	2,637	16
Depreciation and amortisation	-	1,295
Negative fair value adjustment	400	-
Impairment losses	-	2,413
Positive fair value adjustment	445	-
Reversal of impairment losses	-	236
Profit/loss before tax, etc.	**3,628**	**2**
Tax[1]	259	972
Profit/loss for the year – discontinued operations	**3,369**	**-970**
A.P. Møller - Mærsk A/S' share of profit/loss	3,369	-967
Earnings per share	162	-47
Diluted earnings per share	162	-47
CASH FLOWS FROM DISCONTINUED OPERATIONS		
Cash flow from operating activities	896	2,004
Cash flow used for investing activities	1,454	-580
Cash flow from financing activities	1,071	-173
Net cash flow from discontinued operations	**3,421**	**1,251**

[1] The tax relates to the profit from the ordinary activities of discontinued operations. There is no tax related to the gain on the sale of Maersk Oil and Maersk Tankers. The gain on the sale of Maersk Oil was USD 2.6bn in 2018, and the gain on the sale of Maersk Tankers was USD 3m in 2017.

	2018	2017
BALANCE SHEET ITEMS COMPRISE:		
Intangible assets	97	875
Property, plant and equipment	5,805	11,911
Deferred tax assets	-8	244
Other assets	63	491
Non-current assets	**5,957**	**13,521**
Current assets	896	1,468
Assets held for sale	**6,853**	**14,989**
Provisions	150	3,059
Deferred tax liabilities	66	226
Other liabilities	1,953	1,437
Liabilities associated with assets held for sale	**2,169**	**4,722**

MAERSK DRILLING

Full year 2018

Maersk Drilling reported a profit of USD 979m (loss of USD 1.5bn), with 2018 impacted by the positive fair value adjustment of USD 445m due to an improved market outlook and no depreciation being recognised after classification as discontinued operations in Q3 2017. The result of 2017 was negatively impacted by an impairment of USD 1.8bn following classification as discontinued operations.

Property, plant and equipments with a carrying amount of USD 4.7bn have been pledged as security for loans of USD 1.5bn. As part of the preparation, debt financing from a consortium of international banks of USD 1.5bn has been agreed for Maersk Drilling to ensure a solid capital structure after a listing. In certain circumstances, earnings in respect of drilling contracts for the collateral rigs will be assigned in favour of the lenders under the loan agreements.

MAERSK SUPPLY SERVICE

Full year 2018

Maersk Supply Service reported a loss of USD 418m (loss of USD 251m), impacted by the negative fair value adjustment of USD 400m recognised in Q3 2018 due to continued challenging market conditions. The result was positively impacted by no depreciation being recognised after classification as discontinued operations in Q4 2017.

Amounts in USD million

Note 9 — continued

Discontinued operations and assets held for sale

MAERSK OIL

On 21 August 2017, A.P. Moller - Maersk announced the sale of Maersk Oil to Total S.A. The transaction, which was based on a locked box mechanism from 30 June 2017, closed on 8 March 2018 with an accounting gain of USD 2.6bn. In addition to the net cash proceeds of USD 2.0bn after closing adjustments and free cash flow of USD 0.3bn up to closing, A.P. Moller - Maersk received 97.5m shares in Total S.A., equivalent to an ownership interest of 3.7%. The market value of the Total S.A. shares was USD 5.6bn at closing on 8 March 2018. The accounting gain comprises the original gain calculated on 30 June 2017 of USD 2.8bn less the profit of USD 1.0bn recognised in the period from 1 July 2017 up to closing and the addition of the locked box interest and positive Total S.A. share price development totalling USD 0.8bn.

Period ended 8 March 2018

Maersk Oil reported a profit of USD 148m (USD 1.2bn) before elimination of internal interests. The gain and cash flow from closing the transaction is summarised below (comparative figures relate to the sale of Maersk Tankers in 2017):

Cash flow from sale	**2018**	2017
CARRYING AMOUNT		
Intangible assets	779	6
Property, plant and equipment	6,750	1,159
Financial assets – non-current	433	10
Deferred tax assets	233	0
Current assets	1,338	420
Provisions	-2,767	-10
Liabilities	-3,831	-1,011
Net assets sold	**2,935**	**574**
Non-controlling interests	0	0
A.P. Møller - Mærsk A/S' share	**2,935**	**574**
Gain/loss on sale	2,632	3
Repayment of loan	2,500	760
Locked box interest received	156	0
Total consideration	**8,223**	**1,337**
Shares in Total S.A. received	-5,567	0
Contingent considerations asset	0	-28
Cash and bank balances transferred at closing	-633	-91
Cash flow from the sale of subsidiaries and activities	**2,023**	**1,218**

SECONDARY DECOMMISSIONING LIABILITY

As part of the divestment of Mærsk Olie & Gas A/S (MOGAS) to Total S.A., A.P. Møller - Mærsk A/S (APMM) has assumed a secondary liability related to the decommissioning of the offshore facilities in Denmark by issuance of a declaration. APMM assesses the risk of economic outflows due to this secondary liability as very remote.

The potential beneficiaries of the declaration of secondary liability are the other participants in Danish Underground Consortium (DUC) and the Danish state. The declaration covers decommissioning costs related to DUC's offshore facilities in Denmark which existed as at 28 February 2018. The secondary liability is limited to decommissioning costs related to MOGAS's participating interest in DUC at that point in time (which was 31.2%). At close on 8 March 2018, MOGAS's provision for these decommissioning costs amounted to USD 1.2bn. APMM's secondary liability will be reduced as facilities are decommissioned at the cost of Danish Underground Consortium.

The payment obligation under the declaration of secondary liability is triggered towards the other participants in DUC if: a) MOGAS or a potential successor of MOGAS does not perform its payment obligations in respect of decommissioning costs, b) the non-defaulting DUC participants have exhausted the special remedies in the joint operating agreement; and c) payment of the full amount under the guarantee(s) issued by or on behalf of MOGAS has not been made upon receipt of a payment request. The payment obligation is triggered towards the Danish state if the Danish state has paid the decommissioning costs and MOGAS, a potential successor or a guarantor does not pay in full its share of the costs upon receipt of a payment request.

In case APMM is held liable under the secondary liability described above, APMM will have full recourse for such liability against Total S.A. (the buyer of MOGAS).

Amounts in USD million

Note 10

Share capital and earnings per share

Development in the number of shares:

	A shares of		B shares of		Nominal value	
	DKK 1,000	DKK 500	DKK 1,000	DKK 500	DKK million	USD million
1 January 2017	10,756,221	314	10,060,392	184	20,817	3,774
Conversion	41	-82	6	-12	-	-
31 December 2017	**10,756,262**	**232**	**10,060,398**	**172**	**20,817**	**3,774**
31 December 2018	**10,756,262**	**232**	**10,060,398**	**172**	**20,817**	**3,774**

All shares are fully issued and paid up.

One A share of DKK 1,000 holds two votes. B shares have no voting rights.

Adoption of resolutions regarding changes to the company's Articles of Association or increase or write-down of the share capital requires that at least two thirds of the A share capital at the General Meeting shall be represented by persons entitled to vote and that at least two thirds of the votes cast shall be cast in favour of the adoption of the resolution.

Apart from a resolution for the dissolution of the company, other resolutions at the General Meetings are passed by simple majority, if legislation does not require voting majority. Reference is made to the company's Articles of Association.

In the event of an increase in the company's share capital, the shareholders in the given share class shall have a pre-emptive right to subscribe for a proportionate share of the capital increase.

The General Meeting has authorised the Board to allow the company to acquire own shares on an ongoing basis to the extent that the nominal value of the company's total holding of own shares at no time exceeds 10% of the company's share capital. The purchase price must not deviate by more than 10% from the price quoted on Nasdaq Copenhagen on the date of the purchase. This authorisation is to remain in force until 29 March 2020.

Development in the holding of own shares:

	No. of shares of DKK 1,000		Nominal value DKK million		% of share capital	
Own shares[1]	2018	2017	2018	2017	2018	2017
B SHARES						
1 January	60,839	77,642	61	78	0.29%	0.37%
Disposal	5,324	16,803	5	17	0.02%	0.08%
31 December	**55,515**	**60,839**	**56**	**61**	**0.27%**	**0.29%**

[1] The company did not hold any A shares in 2017 and 2018.

Disposals of own shares are primarily related to the share option programme.

The Board of Directors proposes a dividend to the shareholders of DKK 150 per share of DKK 1,000 – a total of DKK 3,123m, equivalent to USD 479m at the exchange rate as per 31 December 2018 (DKK 150 per share of DKK 1,000 – a total of DKK 3,123m or USD 503m).

Payment of dividends is expected to take place on 8 April 2019. Payment of dividends to shareholders does not trigger taxes to A.P. Moller - Maersk.

Amounts in USD million

Note 10 — continued

Share capital and earnings per share

The basis for calculating earnings per share is the following:

A.P. Møller - Mærsk A/S' share of:	2018	2017
Profit/loss for the period of continuing operations	-200	-238
Profit/loss for the period of discontinued operations	3,369	-967
Profit/loss for the year	**3,169**	**-1,205**

	2018	2017
Issued shares 1 January	20,816,862	20,816,862
Average number of own shares	56,856	64,472
Average number of shares	**20,760,006**	**20,752,390**

At 31 December 2018, there is no dilution effect on earnings per share from the 46,692 issued share options. The issued share options correspond to 0.22% of the total average number of shares in the Group. At 31 December 2017, there was no dilution effect on earnings per share from the 25,530 issued share options. The issued share options corresponded to 0.12% of the total average number of shares in the Group.

Note 11

Share-based payment

EQUITY-SETTLED INCENTIVE PLANS (EXCLUDING SHARE OPTION PLAN)
A.P. Moller - Maersk has two different equity-settled incentive plans. The restricted shares plan was introduced in 2013, and grants have been awarded to employees on a yearly basis since 2013. Beginning in 2018, grants have also been awarded to members of the Executive Board. In 2014, the Group established a three-year performance shares plan for members of the Executive Board and other employees. The performance shares plan lapsed in 2017.

The transfer of restricted shares is contingent upon the employee still being employed and not being under notice of termination, and takes place when three years have passed from the time of granting. For members of the Executive Board, the vesting period is five years.

The members of the Executive Board as well as other employees are not entitled to any dividends during the vesting period. Special conditions apply regarding illness, death and resignation as well as changes in the company's capital structure, etc. A.P. Møller - Mærsk A/S' holding of own B shares will be used to meet the company's obligations regarding the restricted shares plan.

Outstanding awards under equity-settled incentive plans (excl. share option plans)	Restricted shares plan Employees[1] No.	Restricted shares plan Members of the Executive Board[1] No.	Performance shares plan Employees[1] No.	Total fair value[1] USD million
1 January 2017	15,067	-	843	
Granted	5,024	-	66	8
Exercised	4,591	-	842	
Adjustment[2]	-	-	-67	
Forfeited	968	-	-	
Outstanding 31 December 2017	**14,532**	**-**	**-**	
Granted	4,241	1,002		8
Exercised	5,324	-		
Forfeited	663	-		
Outstanding 31 December 2018	**12,786**	**1,002**	**-**	

[1] At the time of grant.
[2] Primarily due to changes in the degree of certain financial goals being achieved.

Amounts in USD million

Note 11 — continued

Share-based payment

The fair value of restricted shares (B shares) granted to 105 (132) employees and five members of the Executive Board was USD 8m (USD 8m) at the time of grant. The total value of granted restricted shares recognised in the income statement is USD 8m (USD 8m).

The fair value per restricted share at the time of grant is DKK 9,273 (DKK 11,550), which is equal to the volume-weighted average share price on the date of grant, i.e. 1 April 2018.

On 1 April 2018, the restricted shares originally granted in 2015 were settled with the employees. The weighted average share price on that date was DKK 9,273.

The average remaining contractual life for the restricted shares is 1.4 years (1.3 years) at 31 December 2018.

CASH-SETTLED INCENTIVE PLAN
In 2015, A.P. Moller - Maersk introduced the performance shares plan to a broader range of employees. A share of the cash-settled Performance Plan lapsed in 2017, and the remaining share lapsed in 2018. The actual settlement of the awards was contingent upon the degree of certain financial goals being achieved, the employee still being employed and not being under notice of termination at the date of settlement. This meant that the number of awards that eventually will vest was adjusted during the vesting period. Depending on the agreement, the settlement did take place two or three years after the initial granting, and the employee had the option to settle the awards in shares.

The employees were not entitled to any dividends during the vesting period. Special conditions applied regarding illness, death and resignation as well as changes in the company's capital structure, etc.

Outstanding awards under cash-settled performance share plan	**Employees** **No.**	**Total fair value[1]** **USD million**	**Carrying amount of liabilities** **USD million**
1 January 2017	-		
Granted	780		
Adjustment[2]	-780		
Outstanding 31 December 2017 and 31 December 2018	**-**		**-**

[1] At the time of grant.
[2] Due to changes in the degree of certain financial goals being achieved.

The fair value of awards granted to 0 (42) employees was USD 0m (USD 0m) at the time of grant. The total value of the awards recognised in the income statement is USD 0m (USD 0m).

The average remaining contractual life for the cash-settled incentive plan is 0 years (0.3 years) at 31 December 2018.

SHARE OPTION PLANS
In addition to the plans described above, A.P. Moller - Maersk has share option plans for members of the Executive Board and other employees. Each share option granted is a call option to buy an existing B share of nominally DKK 1,000 in A.P. Møller - Mærsk A/S.

The share options are granted at an exercise price corresponding to 110% of the average of the market price on the first five trading days following the release of A.P. Møller - Mærsk A/S' Annual Report. Exercising the share options is contingent upon the option holder still being employed at the time of exercise. The share options can be exercised when at least two years (three years for share options granted to Executive Board members) and no more than seven years (six years for share options granted to employees not members of the Executive Board) have passed from the time of grant. Special conditions apply regarding illness, death and resignation as well as changes in the company's capital structure, etc.

Amounts in USD million

Note 11 – continued

Share-based payment

Outstanding share options[1]	Members of the Executive Board[1] No.	Employees[1] No.	Total No.	Average exercise price DKK	Total fair value[1] USD million
1 January 2017	3,840	7,635	11,475	8,298	
Granted	4,928	20,839	25,767	12,791	8
Exercised	3,840	7,530	11,370	8,298	
Expired	-	105	105	8,298	
Forfeited	-	237	237	12,791	
Outstanding 31 December 2017	**4,928**	**20,602**	**25,530**	**12,791**	
Exercisable 31 December 2017	**-**	**-**	**-**		
Granted	6,230	18,137	24,367	11,537	7
Forfeited	1,173	2,032	3,205	12,507	
Outstanding 31 December 2018	**9,985**	**36,707**	**46,692**	**12,156**	
Exercisable 31 December 2018	**-**	**-**	**-**		

[1] At the time of grant.

The share options can only be settled in shares. A.P. Møller - Mærsk A/S' holding of own B shares will be used to meet the company's obligations in respect of the share option plans.

The fair value of awards granted to five (three) members of the Executive Board and 80 (79) employees was USD 7m (USD 8m) at the time of grant. The total value of granted share options recognised in the income statement is USD 6m (USD 3m).

The weighted average share price at the dates of exercise of share options was DKK 11,778 in 2017. No share options were exercised during 2018.

The average remaining contractual life is 5.5 years (6.1 years) at 31 December 2018, and the exercise price for out-standing share options is DKK 12,156 (DKK 12,791).

The fair value per option granted to members of the Executive Board is calculated at DKK 1,712 (DKK 2,130) at the time of grant, based on Black & Scholes' option pricing model. The fair value per option granted to employees who are not members of the Executive Board is calculated at DKK 1,875 (DKK 2,281) at the time of grant based on the same option pricing model.

The following principal assumptions are used in the valuation:

	Share options granted to members of the Executive Board **2018**	Share options granted to employees not members of the Executive Board **2018**	Share options granted to members of the Executive Board 2017	Share options granted to employees not members of the Executive Board 2017
Share price, volume-weighted average at the date of grant, 1 April, DKK	9,273	9,273	11,550	11,550
Share price, five days volume-weighted average after publication of Annual Report, DKK	10,476	10,476	11,628	11,628
Exercise price, DKK	11,524	11,524	12,791	12,791
Expected volatility (based on historic volatility)	33%	33%	31%	31%
Expected term (years)	5	5.75	5	5.75
Expected dividend per share, DKK	150	150	300	300
Risk free interest rate	0.21%	0.29%	-0.12%	0.01%

Amounts in USD million

Note 12

Borrowings and net debt reconciliation

	Net debt as at 31 December 2017	Cash flows[1]	Acquisitions	Foreign exchange movements	Non-cash changes Other[2]	Net debt as at 31 December **2018**
Bank and other credit institutions	6,964	-2,557	-7	-173	22	4,249
Finance lease liabilities	2,745	-663	-	29	152	2,263
Issued bonds	7,804	-2,258	-	-238	65	5,373
Total borrowings	**17,513**	**-5,478**	**-7**	**-382**	**239**	**11,885**
Derivatives hedge of borrowings, net	**-88**	**-2**		**238**	**24**	**172**
BORROWINGS:						
Classified as non-current	15,076					9,894
Classified as current	2,437					1,991

[1] Cash flows include prepayments of USD 6.4bn of which USD 5.6bn relates to prepayments made during Q4 2018.
[2] Other includes new finance leases and fair value changes.

	Net debt as at 31 December 2016	Cash flows[1]	Acquisitions	Foreign exchange movements	Non-cash changes Other[2]	Net debt as at 31 December 2017
Bank and other credit institutions	4,967	1,982	146	80	-211	6,964
Finance lease liabilities	2,271	-309	606	5	172	2,745
Issued bonds	8,097	-872	-	603	-24	7,804
Total borrowings	**15,335**	**801**	**752**	**688**	**-63**	**17,513**
Derivatives hedge of borrowings, net	**806**	**-224**	**-**	**-619**	**-51**	**-88**
BORROWINGS:						
Classified as non-current	13,320					15,076
Classified as current	2,015					2,437

[1] Difference from the net proceeds from borrowings as presented in the cash flow statement mainly relates to discontinued operations' repayment of borrowings.
[2] Other includes transfers to held for sale, new finance leases and fair value changes.

Amounts in USD million

Note 12 — continued

Borrowings and net debt reconciliation

Finance lease liabilities	Minimum lease payments 2018	Interest 2018	Carrying amount 2018	Minimum lease payments 2017	Interest 2017	Carrying amount 2017
Within one year	520	115	405	583	131	452
Between one and five years	1,565	266	1,299	1,816	292	1,524
After five years	715	156	559	1,080	311	769
Total	**2,800**	**537**	**2,263**	**3,479**	**734**	**2,745**

The finance lease agreements are described in note 7.

Amounts in USD million

Note 13

Pensions and similar obligations

As an employer, the Group participates in pension plans according to normal practice in the countries in which it operates. Generally, the pension plans within the Group are defined contribution plans, where contributions are recognised in the income statement on an accrual basis. A number of entities have defined benefit plans, in which retirement benefits are based on length of service and salary level. To a limited extent, these defined benefit plans also include payment of medical expenses, etc.

Pension and medical plans which, as part of collective bargaining agreements, have been entered into with other enterprises (known as multi-employer plans) are treated as other pension plans. Such defined benefit plans are treated as defined contribution plans when sufficient information for calculating the individual enterprise´s share of the obligation is not available.

In 2019, the Group expects to pay contributions totalling USD 27m to funded defined benefit plans (USD 36m in 2018).

	UK 2018	Other 2018	Total 2018	UK 2017	Other 2017	Total 2017
SPECIFICATION OF NET LIABILITY						
Present value of funded plans	1,999	481	2,480	2,242	532	2,774
Fair value of plan assets	-2,301	-382	-2,683	-2,534	-425	-2,959
Net liability of funded plans	-302	99	-203	-292	108	-185
Present value of unfunded plans	-	116	116	-	116	116
Impact of minimum funding requirement/ asset ceiling	61	-	61	58	-	58
Net liability 31 December	**-241**	**215**	**-26**	**-234**	**224**	**-11**
OF WHICH:						
Pensions, net assets			285			298
Pensions and similar obligations			259			287

The majority of the Group's defined benefit liabilities are in the UK (77 %) and the US (13 %). All the plans in the UK and the majority of the plans in the US are funded. Although all the UK plans are now closed to new entrants, active members in the two largest plans continue to accrue new benefits. The smaller UK plans are all closed to new accruals, although a salary link remains in some of the plans.

Overall, the plans have an average duration of 16 years, and approx. 53% of the obligation is in respect of pensioner members.

As well as being subject to the risks of falling interest rates, which would increase the obligation, poor asset returns and pensioners living longer than anticipated, the Group is also subject to the risk of higher than expected inflation. This is because many pension benefits, particularly in the UK plans, increase in line with inflation (although some minimum and maximum limits apply).

Significant financial assumptions	UK 2018	Total 2018	UK 2017	Total 2017
Discount rate	2.8%	3.0%	2.5%	2.7%
Inflation rate	3.4%	3.1%	3.3%	3.1%
Future salary increase	3.6%	3.1%	3.5%	3.1%
Future pension increase	3.1%	2.6%	3.0%	2.5%

Rates of life expectancy reflect the most recent mortality investigations, and in line with market practice an allowance is made for future improvements in life expectancy. The Group assumes that future improvements will be in line with the latest projections (1.25% in 2018 and in 2017) for all UK plans.

			31 December	
Life expectancy	**2018**	**2038**	2017	2037
65-year-old male in the UK	21.7	23.1	21.8	23.3

Amounts in USD million

Note 13 — continued

Pensions and similar obligations

The liabilities are calculated using assumptions that are the Group's best estimate of future experience bearing in mind the requirements of IAS 19. The sensitivity of the liabilities and pension cost to the key assumptions are as follows:

Sensitivities to key assumptions in the UK **Factors**	**'Change in liability'**	**Increase** **2018**	**Decrease** **2018**	**Increase** 2017	**Decrease** 2017
Discount rate	Increase/(decrease) by 10 basis points	-30	31	-35	36
Inflation rate	Increase/(decrease) by 10 basis points	16	-18	19	-21
Life expectancy	Increase/(decrease) by 1 year	87	-86	96	-94

The Group's plans are funded in accordance with applicable local legislation. In the UK, each plan has a trustee board that is required to act in the best interests of plan members. Every three years, a formal valuation of the plan's liabilities is carried out using a prudent basis, and if the plan is in deficit, the trustees agree with the Group or the sponsoring employer on a plan for recovering that deficit.

The expected contributions to the UK plans for 2019 are USD 21m and USD 32m in 2018, of which USD 0m (USD 9m in 2018) is deficit recovery contributions. In most of the UK plans, any surplus remaining after the last member dies may be returned to the Group. However, the Merchant Navy Ratings Pension Fund (MNRPF) and the Merchant Navy Officers Pension Fund (MNOPF) contributions paid by the Group are not refundable in any circumstance and the balance sheet liability reflects an adjustment for any agreed deficit recovery contributions in excess of deficit determined using the Group's assumptions. In 2018, an adjustment of USD 2m (USD 31m) was applied in this respect.

Specification of plan assets	**UK** **2018**	**Other** **2018**	**Total** **2018**	**UK** 2017	**Other** 2017	**Total** 2017
Shares	261	132	393	322	177	499
Government bonds	966	87	1,053	985	78	1,063
Corporate bonds	547	69	616	573	71	644
Real estate	27	5	32	113	5	118
Other assets	500	89	589	541	94	635
Fair value 31 December	**2,301**	**382**	**2,683**	**2,534**	**425**	**2,959**

Except for an insignificant portion, the plan assets held by the Group are quoted investments.

Amounts in USD million

Note 13 — continued

Pensions and similar obligations

Change in net liability	Present value of obligations	Fair value of plan assets	Adjust-ments	Net liability	Of which: UK
1 January 2017	**2,512**	**2,451**	**81**	**142**	**4**
Current service cost, administration cost etc.	19	-6	-	25	7
Calculated interest expense/income	74	72	-	2	-1
Recognised in the income statement in 2017	**93**	**66**	**-**	**27**	**6**
Actuarial gains/losses from changes in financial and demographic assumptions, etc.	24			24	5
Return on plan assets, exclusive calculated interest income		152		-152	-122
Adjustment for unrecognised asset due to asset ceiling			-11	-11	-11
Adjustment for minimum funding requirement			-20	-20	-20
Recognised in other comprehensive income in 2017	**24**	**152**	**-31**	**-159**	**-148**
Contributions from the Group and employees	1	93		-92	-88
Benefit payments	-162	-142		-20	-
Settlements	-2	-		-2	-
Effect of business combinations and disposals	219	122		97	3
Exchange rate adjustment	205	217	8	-4	-11
31 December 2017	**2,890**	**2,959**	**58**	**-11**	**-234**
Current service cost, administration cost etc.	33	-6	-	39	22
Calculated interest expense/income	73	75	-	-2	-6
Recognised in the income statement in 2018	**106**	**69**	**-**	**37**	**16**
Actuarial gains/losses from changes in financial and demographic assumptions, etc.	-111			-111	-73
Return on plan assets, exclusive calculated interest income		-112		112	91
Adjustment for unrecognised asset due to asset ceiling			34	34	34
Adjustment for minimum funding requirement			-28	-28	-29
Effect of asset ceiling				-	
Recognised in other comprehensive income in 2018	**-111**	**-112**	**6**	**7**	**23**

	Present value of obligations	Fair value of plan assets	Adjust-ments	Net liability	Of which: UK
Contributions from the Group and employees	4	69	-	-65	-62
Benefit payments	-151	-141	-	-10	-
Effect of business combinations and disposals	4	-	-	4	-
Exchange rate adjustment	-146	-161	-3	12	16
31 December 2018	**2,596**	**2,683**	**61**	**-26**	**-241**

MULTI-EMPLOYER PLANS

Under collective agreements, certain entities in the Group participate together with other employers in defined benefit pension plans as well as welfare/medical plans (multi-employer plans).

For the defined benefit pension plans, the Group has joint and several liabilities to fund total obligations. In 2018, the Group's contributions are estimated at USD 134m (USD 134m), while the contributions to be paid in 2019 are estimated at USD 151m. In general, the contributions to the schemes are based on man-hours worked or cargo tonnage handled, or a combination hereof.

No reliable basis exists for the allocation of the schemes' obligations and plan assets to individual employer participants. For the plans where the Group has an interest and there is a deficit, the net obligations for all employers totalled USD 0.9bn (USD 1.1bn). This net obligation is based on the most recent available financial data from the plan's trustees, calculated in accordance with the rules for such actuarial calculations in US GAAP. The deficit in some of the schemes may necessitate increased contributions in the future.

The welfare/medical plans are by nature contribution plans funded on a pay-as-you-go basis. As for the defined benefit pension plans, the contributions are based on man-hours worked or cargo tonnage handled, or a combination hereof.

Amounts in USD million

Note 14

Provisions

	Restructuring	Legal disputes, etc.	Onerous and unfavourable contracts	Other	Total
1 January 2018	55	923	334	238	1,550
Provision made	61	494	-	129	684
Amount used	32	168	21	53	274
Amount reversed	23	121	103	47	294
Addition from business combinations	1	-	-	17	18
Unwind of discount	-	-	1	-	1
Transfer, assets held for sale	-	-	-45	-	-45
Exchange rate adjustment	-1	-27	-2	-10	-40
31 December 2018	**61**	**1,101**	**164**	**274**	**1,600**
OF WHICH:					
Classified as non-current	2	682	139	205	1,028
Classified as current	59	419	25	69	572
Non-current provisions expected to be realised after more than five years	-	17	-	38	55

Restructuring includes provisions for decided and publicly announced restructurings. Legal disputes, etc. include among other things tax, indirect tax and duty disputes. Onerous and unfavourable contracts are mainly related to Hamburg Süd´s unfavourable lease contracts acquired in 2017. Other includes provisions for warranties and risk under certain self-insurance programmes. The provisions are subject to considerable uncertainty, cf. note 24.

Reversals of provisions primarily relate to legal disputes and contractual disagreements, which are recognised in the income statement under operating costs and tax.

Amounts in USD million

Note 15

Derivatives

Hedges comprise primarily currency derivatives and interest rate derivatives. Foreign exchange forwards and option contracts are used to hedge the currency risk related to recognised and unrecognised transactions. Interest rate and cross-currency swaps are used to hedge interest rate exposure on borrowings. Price hedge derivatives are used to hedge crude oil prices and bunker prices.

	2018	2017
Non-current receivables	135	260
Current receivables	80	116
Non-current liabilities	242	138
Current liabilities	121	128
Assets, net	**-148**	**110**

The fair value of derivatives held at the balance sheet date can be allocated by type as follows:

	Fair value, asset 2018	**Fair value, liability 2018**	**Nominal amount of derivative 2018**	**Fair value, asset** 2017	**Fair value, liability** 2017	**Nominal amount of derivative** 2017
HEDGE OF BORROWINGS						
Cross-currency swaps						
EUR	97	141	2,697	240	16	3,515
GBP	-	74	380	2	37	437
JPY	10	12	204	7	14	200
SEK	-	-	-	-	68	305
NOK	-	52	596	6	41	693
Interest rate swaps						
Cash flow hedges	33	8	1,548	4	12	1,037
Fair value hedges	-	15	500	-	6	500
Total	**140**	**302**		**259**	**194**	
HEDGE OF OPERATING CASH FLOWS AND INVESTMENTS IN FOREIGN CURRENCIES						
Main currencies hedged						
EUR	-	12	522	16	-	674
GBP	-	2	68	11	-	480
DKK	-	9	254	15	-	579
Other currencies	2	10	487	28	7	1,098
Total	**2**	**33**		**70**	**7**	

	Fair value 2018	2017
HELD FOR TRADING		
Currency derivatives	18	-16
Interest derivatives	-	-
Price hedge	28	-2
Total	**46**	**-18**

The hedges are expected to be highly effective due to the nature of the economic relation between the exposure and the hedge. The source of ineffectiveness is the credit risk of the hedging instruments. For hedges where the cost of hedging is applied, the forward points and change in basis spread are recognised in other comprehensive income and transferred with the effective hedge when the hedged transaction occurs. The cost of hedging reserve amount is USD 1m (USD 7m).

For information about risk management strategy, currencies, maturities, etc., reference is made to note 17.

HEDGE OF BORROWINGS
Cross-currency swaps are used to swap all non-USD issued bonds. Fixed to floating rate swaps are designated as a combination of fair value and cash flow hedges. The principal amounts in USD equivalents are: EUR 1,723m (EUR 1,835m), GBP 89m (GBP 95m), JPY 204m (JPY 200m) and NOK 252m (NOK 268m). The remaining swaps are fixed to fixed rate or floating to fixed rate swaps and are designated as cash flow hedges of currency and interest risk.

The hedge ratio is 1:1. The maturity of the hedge instrument 0-5 years is (USD equivalents): EUR 1,746m (EUR 3,419m), JPY 91m (JPY 89m) and NOK 344m (NOK 303m). 5-10 years: EUR 859m (EUR 0m), GBP 380m (GBP 405m), JPY 113m (JPY 111m) and NOK 252m (NOK 390m). Above 10 years: EUR 92m (EUR 96m).

Cross-currency swaps are designated as a combination of hedge of principal cash flow and hedge of interests at a weighted average rate of 4.5% (3.7%).

Interest rate swaps are all denominated in USD and pay either floating (fair value hedge) or fixed interest rates (cash flow hedge). The hedge ratio is 1:1, and the weighted average interest rate is 2.5% (2.2%) excluding margin on loans. The maturity of the interest rate swaps 0-5 years is USD 918m (USD 442m) and 5-10 years USD 1,130m (USD 1,095m).

For cash flow hedges related to borrowings, a loss of USD 80m (gain of USD 31m) is recognised in other comprehensive income, and the cash flow hedges reserve is a loss of USD 49m (gain of USD 31m). Reference is made to other comprehensive income.

The carrying amount of the borrowings in fair value hedge relation is USD 2,768m (USD 3,069m), and the accumulated fair value adjustment of the loans is a loss of USD 13m (loss of USD 28m). The loss on the hedging instrument in fair value hedges recognised in the income statement for the year amounts to USD 15m (loss of USD 33m), and the gain on hedged item amounts to USD 15m (gain of USD 33m).

Due to bond buy-back in 2018, the ineffectiveness from cash flow hedges is recognised in profit or loss at USD 20m in 2018.

Note 15 – continued

Derivatives

HEDGING OF OPERATING CASH FLOWS AND INVESTMENTS IN FOREIGN CURRENCIES
Currency derivatives hedge future revenue, operating costs and investments/divestments and are recognised on an ongoing basis in the income statement and the cost of property, plant and equipment, respectively.

Hedges of future revenue, operating costs and investments mature within a year.

For hedges related to operating cash flows and investment of negative USD 89m (positive USD 55m) is recognised in other comprehensive income, and the cash flow hedge reserve is negative USD 34m (positive USD 55m).

OTHER ECONOMIC HEDGES (NO HEDGE ACCOUNTING APPLIED)
Furthermore, the Group enters into derivatives to hedge economic risks that are not accounted for as hedging. These derivatives are accounted for as held for trading.

The gains/losses, including realised transactions, are recognised as follows:

	2018	2017
Hedging foreign exchange risk on revenue	2	4
Hedging foreign exchange risk on operating costs	2	45
Hedging interest rate risk	-53	-55
Hedging investment in associated companies	-	-4
Hedging foreign exchange risk on the cost of non-current assets	-	119
Hedging foreign exchange risk on discontinued operations	13	-83
Total effective hedging	**-36**	**26**
Ineffectiveness recognised in financial expenses	22	-1
Total reclassified from equity reserve for hedges	**-14**	**25**
DERIVATIVES ACCOUNTED FOR AS HELD FOR TRADING		
Currency derivatives recognised directly in financial income/expenses	11	334
Interest rate derivatives recognised directly in financial income/expenses	-29	-37
Oil prices and freight rate derivatives recognised directly in other income/costs	25	-20
Derivatives recognised in income statement for discontinued operations	-3	-6
Net gains/losses recognised directly in the income statement	**4**	**271**
Total	**-10**	**296**

For information about currencies, maturities, etc., reference is made to note 16.

Amounts in USD million

Note 16

Financial instruments by category

	Carrying amount 2018	**Fair value 2018**	**Carrying amount** 2017	**Fair value** 2017
CARRIED AT AMORTISED COST				
Loans receivable	371	371	387	387
Finance lease receivables	26	26	29	29
Other interest-bearing receivables and deposits	58	58	62	62
Trade receivables	3,759		3,864	
Other receivables (non-interest-bearing)	1,051		1,137	
Cash and bank balances	2,851		2,171	
Financial assets at amortised cost	**8,116**		**7,650**	
Derivatives	**215**	**215**	**376**	**376**
CARRIED AT FAIR VALUE THROUGH PROFIT/LOSS				
Other receivables (non-interest-bearing)[1]	4	4	10	10
Other securities	1	1	1	1
Financial assets at fair value through profit/loss	**5**	**5**	**11**	**11**
CARRIED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME				
Equity investments (FVOCI)[2]	2,488	2,488	30	30
Financial assets at fair value through OCI	**2,488**	**2,488**	**30**	**30**
Total financial assets	**10,824**		**8,067**	
CARRIED AT AMORTISED COST				
Bank and other credit institutions	4,249	4,286	6,964	7,140
Finance lease liabilities	2,263	2,388	2,745	3,112
Issued bonds	5,373	5,394	7,804	8,020
Trade payables	5,134		5,250	
Other payables	964		1,306	
Financial liabilities at amortised cost	**17,983**		**24,069**	
Derivatives	**363**	**363**	**266**	**266**
CARRIED AT FAIR VALUE				
Other payables	-	-	7	7
Financial liabilities at fair value	**-**	**-**	**7**	**7**
Total financial liabilities	**18,346**		**24,342**	

[1] Relates to contingent consideration receivable.
[2] Designated at initial recognition in accordance with IFRS 9.

Amounts in USD million

Note 16 — continued

Financial instruments by category

EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)
As at 31 December 2018, USD 2,447m in equity investments at FVOCI classified as current pertains to the shares in Total S.A. received from the sale of Maersk Oil. Subject to meeting its investment-grade credit rating it is the plan to return a material portion of the value of the received shares to the A.P. Moller - Maersk shareholders during 2019, and therefore the shares have been classified as current.

DISPOSAL OF THE REMAINING 19% SHARE IN DANSK SUPERMARKED GROUP
In 2017, as the Salling Companies could complete the final transaction agreed on in 2014, A.P. Møller - Mærsk A/S sold its remaining 19% share of Dansk Supermarked Group for DKK 5.5bn, equivalent to USD 871m.

The accumulated loss of USD 123m has been transferred within equity. The loss can be attributed to the development in the DKK/USD exchange rate since initial recognition.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE
Financial instruments measured at fair value can be divided into three levels:
Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 — Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 — Inputs for the asset or liability that are not based on observable market data.

Fair value of listed securities is within level 1 of the fair value hierarchy. Non-listed shares and other securities are within level 3 of the fair value hierarchy.

Fair value of derivatives is mainly within level 2 of the fair value hierarchy and is calculated based on observable market data as of the end of the reporting period. A minor amount of crude oil price derivatives is within level 1 of the fair value hierarchy.

Fair value of level 3 assets and liabilities is primarily based on the present value of expected future cash flows. A reasonably possible change in the discount rate is not estimated to affect the Group's profit or equity significantly.

FINANCIAL INSTRUMENTS CARRIED AT AMORTISED COST
Fair value of the short-term financial assets and other financial liabilities carried at amortised cost is not materially different from the carrying amount. In general, fair value is determined primarily based on the present value of expected future cash flows. Where a market price was available, however, this was deemed to be the fair value.

Fair value of listed issued bonds is within level 1 of the fair value hierarchy. Fair value of the remaining borrowing items is within level 2 of the fair value hierarchy, and is calculated based on discounted future cash flows.

Movement during the year in level 3	**Other equity investments (FVOCI)**	**Other receivables**	**Total financial assets**	**Other payables**	**Total financial liabilities**
Carrying amount 1 January 2017	781	-	781	7	7
Addition	-	28	28	-	-
Disposal	877	-	877	-	-
Gains/losses recognised in the income statement	-	-18	-18	-	-
Gains/losses recognised in other comprehensive income	138	-	138	-	-
Transfer, assets held for sale	-31	-	-31	-	-
Exchange rate adjustment, etc.	2	-	2	-	-
Carrying amount 31 December 2017	**13**	**10**	**23**	**7**	**7**
Addition	13	4	17	-	-
Disposal	-	-	-	5	5
Gains/losses recognised in the income statement	-	-10	-10	-2	-2
Carrying amount 31 December 2018	**26**	**4**	**30**	**-**	**-**

Amounts in USD million

Note 17

Financial risks, etc.

The Group's activities expose it to a variety of financial risks:

- Market risks, i.e. currency risk, interest rate risk and share price risk
- Credit risk
- Liquidity risk

The Group's overall risk management programme focuses on the unpredictability of financial markets, and seeks to minimise the potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central finance department under policies approved by the Board of Directors. The finance department identifies, evaluates and hedges financial risks in close cooperation with the Group's business units.

MARKET RISK
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and share price, will affect the Group's profit or the value of its holdings of financial instruments. The sensitivity analyses below relate to the position of financial instruments at 31 December 2018.

The sensitivity analyses for currency risk, interest rate risk and share price risk have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt, and the proportion of financial instruments in foreign currencies remain unchanged from hedge designations in place at 31 December 2018. Furthermore, it is assumed that the exchange rate, interest rate and share price sensitivities have a symmetric impact, i.e. an increase in rates results in the same absolute movement as a decrease in rates.

The sensitivity analyses show the effect on profit or loss and equity of a reasonably possible change in exchange rates, interest rates and share price.

CURRENCY RISK
The Group's currency risk relates to the fact that while income from shipping and oil-related activities (discontinued operations) is denominated mainly in USD, the related expenses are incurred in both USD and a wide range of other currencies such as EUR, NOK, GBP, CNY, JPY and DKK. As the net income is in USD, this is also the primary financing currency. Income and expenses from other activities, including APM Terminals, are mainly denominated in local currencies, thus reducing the Group's exposure to these currencies.

The main purpose of hedging the Group's currency risk is to hedge the USD value of the Group's net cash flow and reduce fluctuations in the Group's profit. The Group uses various financial derivatives, including forwards, option contracts and cross-currency swaps, to hedge these risks. The key aspects of the currency hedging policy are as follows:

- Net cash flows in other significant currencies than USD are hedged using a layered model with a 12-month horizon;
- Significant capital commitments or divestments in other currencies than USD are hedged;
- Most non-USD debt is hedged, however, depending on the asset-liability match and the currency of the generated cash flow.

An increase in the USD exchange rate of 10% against all other significant currencies to which the Group is exposed is estimated to have a negative impact on the Group's profit before tax of USD 0.1bn (positive impact of USD 0.3bn) and to affect the Group's equity, excluding tax, negatively by USD 0.3bn (positively by USD 0.0bn). The sensitivities are based only on the impact of financial instruments that are outstanding at the balance sheet date, cf. notes 15 and 16, and are thus not an expression of the Group's total currency risk.

INTEREST RATE RISK
The Group has most of its debt denominated in USD, but part of the debt (e.g. issued bonds) is in other currencies such as EUR, NOK, GBP, SEK and JPY. The Group strives to maintain a combination of fixed and floating interest rates on its net debt, reflecting expectations and risks. The hedging of the interest rate risk is governed by a duration range, and is primarily obtained using interest rate swaps. The duration of the Group's debt portfolio is 2.2 years (1.8 years). A general increase in interest rates by one percentage point is estimated, all else being equal, to affect profit before tax and equity, excluding tax effect, negatively by approx. USD 16m and USD 18m, respectively (negatively by approx. USD 48m and USD 40m, respectively).

This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

		Next interest rate fixing		
Borrowings by interest rate levels inclusive of interest rate swaps	**Carrying amount**	**0-1 year**	**1-5 years**	**5- years**
2018				
0-3%	208	162	39	7
3-6%	10,568	5,606	3,262	1,700
6%-	1,109	18	431	660
Total	**11,885**	**5,786**	**3,732**	**2,367**
OF WHICH:				
Bearing fixed interest	6,525			
Bearing floating interest	5,360			
2017				
0-3%	6,872	4,591	1,767	514
3-6%	9,419	4,467	3,285	1,667
6%-	1,222	31	215	976
Total	**17,513**	**9,089**	**5,267**	**3,157**
OF WHICH:				
Bearing fixed interest	8,788			
Bearing floating interest	8,725			

Amounts in USD million

Note 17 — continued

Financial risks, etc.

SHARE PRICE RISK ON SHARES IN TOTAL S.A.

The value of the shares in Total S.A. was USD 2,447m (level 1) on 31 December 2018. A 10% change in the share price will affect the Group's equity, excluding tax, positively/negatively by USD 245m. Changes in the share price will not affect the Group's profit, as value adjustments are recognised directly in equity (other comprehensive income). The shares are denominated in EUR and are measured at the EUR/USD spot rate. The underlying business of the shares is based on the USD. Dividends from these shares amount to USD 238m, of which USD 139m (USD 1m) pertains to shares held at the end of the year and USD 100m (USD 0m) pertains to shares sold during the year.

CREDIT RISK

Trade receivables

The Group has exposure to financial and commercial counterparties but has no particular concentration of customers or suppliers. To minimise the credit risk, financial vetting is undertaken for all major customers and financial institutions, adequate security is required for commercial counterparties, and credit limits are set for financial institutions and key commercial counterparties.

A.P. Møller - Mærsk A/S applies the simplified approach to providing the expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. In accordance with IFRS 9, non-due trade receivables have also been impaired.

Maturity analysis of trade receivables	2018	2017
Receivables not due	2,468	2,360
Less than 90 days overdue	1,132	1,309
91-365 days overdue	241	293
More than one-year overdue	183	174
Receivables, gross	4,024	4,136
Provision for bad debt	265	272
Carrying amount	**3,759**	**3,864**

The loss allowance provision for trade receivables as at 31 December 2018 reconciles to the opening loss allowance as follows:

Change in provision for bad debt	2018	2017
1 January	272	279
Provision made	192	200
Amount used	117	110
Amount reversed	80	69
Transfer, assets held for sale	-	-25
Exchange rate adjustment	-2	-3
31 December	**265**	**272**

Approx. 69% (64%) of the provision for bad debt is related to trade receivables overdue by more than one year.

OTHER FINANCIAL ASSETS AT AMORTISED COST

Other financial assets at amortised cost comprise loans receivable, finance lease receivables and other receivables. These financial assets are considered to have low credit risk, and thus the impairment provision calculated based on 12 months of expected losses is considered immaterial. The financial assets are considered to be low risk when they have a low risk of default, and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

LIQUIDITY RISK

The Group's objective is to maintain a liquidity profile in line with an investment grade credit rating. Capital is managed for the Group. The equity share of total equity and liabilities was 59.0% at the end of 2018 (49.7%).

	2018	2017
Borrowings	11,885	17,513
Net interest-bearing debt[1]	8,741	14,799
Liquidity reserve[2]	10,296	9,649

[1] For continuing businesses

[2] Liquidity reserve is defined as undrawn committed revolving facilities with more than one year to expiry, securities and cash and bank balances, excluding securities and balances in countries with exchange control or other restrictions.

In addition to the liquidity reserve, the Group has USD 0.5bn undrawn committed loans which are dedicated to financing of specific assets, part of which will therefore only become available at certain times in the future.

Based on the liquidity reserve, loans for the financing of specific assets, the maturity of outstanding loans, and the current investment profile, the Group's financial resources are deemed satisfactory.

The average term to maturity of loan facilities in the Group was about four years (about four years at 31 December 2017).

Amounts in USD million

Note 17 — continued

Financial risks, etc.

It is of great importance for the Group to maintain a financial reserve to cover the Group's obligations and investment opportunities and to provide the capital necessary to offset changes in the Group's liquidity due to changes in the cash flow from operating activities.

The flexibility of the financial reserve is subject to ongoing prioritisation and optimisation, among other things by focusing on the release of capital and following up on the development in working capital.

Maturities of liabilities and commitments	Carrying amount	Cash flows including interest 0-1 year	1-5 years	5- years	Total
2018					
Bank and other credit institutions	4,249	1,177	2,902	871	4,950
Finance lease liabilities	2,263	520	1,565	715	2,800
Issued bonds	5,373	737	2,505	2,892	6,134
Trade payables	5,134	5,134	-	-	5,134
Other payables	964	922	33	9	964
Non-derivative financial liabilities	**17,983**	**8,490**	**7,005**	**4,487**	**19,982**
Derivatives	363	121	38	204	363
Total recognised in balance sheet	**18,346**	**8,611**	**7,043**	**4,691**	**20,345**
Operating lease commitments		2,045	4,686	5,304	12,035
Capital commitments		1,083	346	872	2,301
Total		**11,739**	**12,075**	**10,867**	**34,681**
2017					
Bank and other credit institutions	6,964	1,901	4,958	906	7,765
Finance lease liabilities	2,745	583	1,816	1,080	3,479
Issued bonds	7,804	508	6,034	2,216	8,758
Trade payables	5,250	5,250	-	-	5,250
Other payables	1,313	1,241	66	6	1,313
Non-derivative financial liabilities	**24,076**	**9,483**	**12,874**	**4,208**	**26,565**
Derivatives	266	128	86	52	266
Total recognised in balance sheet	**24,342**	**9,611**	**12,960**	**4,260**	**26,831**
Operating lease commitments		1,950	4,496	5,853	12,299
Capital commitments		2,111	622	1,121	3,854
Total		**13,672**	**18,078**	**11,234**	**42,984**

Note 18

Commitments – continuing operations

OPERATING LEASE COMMITMENTS

As part of the Group's activities, customary agreements are entered regarding charter and operating leases of ships, containers, port facilities, etc. The future charter and operating lease payments are:

	Ocean[1]	Logistics & Services	Terminals & Towage	Manu-facturing & Others[2]	Total
2018					
Within one year	1,377	119	245	304	2,045
Between one and two years	1,029	92	216	181	1,518
Between two and three years	808	75	208	137	1,228
Between three and four years	662	59	208	95	1,024
Between four and five years	599	42	199	76	916
After five years	3,223	175	1,808	98	5,304
Total	**7,698**	**562**	**2,884**	**891**	**12,035**
Net present value[3]	5,645	455	1,925	786	8,811
2017					
Within one year	1,541	100	244	65	1,950
Between one and two years	1,093	71	213	54	1,431
Between two and three years	923	58	208	33	1,222
Between three and four years	741	46	204	28	1,019
Between four and five years	552	32	212	28	824
After five years	3,213	100	2,460	80	5,853
Total	**8,063**	**407**	**3,541**	**288**	**12,299**
Net present value[3]	5,941	335	2,272	238	8,786

[1] About 35% of the time charter payments in Ocean reflected above are estimated to relate to operational costs for the assets.
[2] Manufacturing & Others includes unallocated and eliminations.
[3] The net present value has been calculated using a discount rate of 6% (6%).

Amounts in USD million

Note 18 — continued

Commitments – continuing operations

Capital commitments	Ocean	Logistics & Services	Terminals & Towage	Manu-facturing & Others	Total
2018					
Capital commitments relating to the acquisition of non-current assets	726	16	309	9	1,060
Commitments towards concession grantors	280	-	961	-	1,241
Total capital commitments	**1,006**	**16**	**1,270**	**9**	**2,301**
2017					
Capital commitments relating to the acquisition of non-current assets	2,027	3	267	17	2,314
Commitments towards concession grantors	399	-	1,141	-	1,540
Total capital commitments	**2,426**	**3**	**1,408**	**17**	**3,854**

The decrease in capital commitments is primarily related to contractual payments during 2018.

Newbuilding programme at 31 December 2018	2019	Total
Container vessels	6	6
Tugboats	2	2
Total	**8**	**8**

Capital commitments relating to the newbuilding programme at 31 December 2018	2019	Total
Container vessels	446	446
Tugboats	1	1
Total	**447**	**447**

USD 0.4bn of the total capital commitments is related to the newbuilding programme for ships, etc. at a total contract price of USD 0.6bn including owner-furnished equipment. The remaining capital commitments of USD 1.9bn relate to investments mainly within APM Terminals.

The capital commitments will be financed by cash flow from operating activities as well as existing and new loan facilities.

Amounts in USD million

Note 19

Contingent liabilities

Except for customary agreements within the Group's activities, no material agreements have been entered that will take effect, change or expire upon changes of the control over the company.

The necessary facility of USD 245m (USD 214m) has been established to meet the requirements for using US waters under the American Oil Pollution Act of 1990 (Certificate of Financial Responsibility).

Custom bonds of USD 444m (USD 429m) have been provided to various port authorities in India.

Maersk Line and APM Terminals have entered into certain agreements with terminals and port authorities, etc. containing volume commitments including an extra payment in case minimum volumes are not met.

The Group is involved in a number of legal disputes. The Group is also involved in tax disputes in certain countries. Some of these involve significant amounts and are subject to considerable uncertainty.

Tax may crystallise if the companies leave the tonnage tax regimes and on repatriation of dividends. Through participation in a joint taxation scheme with A.P. Møller Holding A/S, the Danish companies are jointly and severally liable for taxes payable, etc. in Denmark.

Note 20

Cash flow specifications

	2018	2017
Change in working capital		
Trade receivables	-35	-401
Other working capital movements	-267	99
Exchange rate adjustment of working capital	-56	20
Total	**-358**	**-282**
Purchase of intangible assets and property, plant and equipment		
Addition	-3,006	-3,805
Of which finance leases, etc.	124	172
Of which borrowing costs capitalised on assets	59	63
Change in payables to suppliers regarding purchase of assets	-53	-29
Total	**-2,876**	**-3,599**

Other non-cash items related primarily to the adjustment of provision for bad debt regarding trade receivables.

Amounts in USD million

Note 21

Acquisition/sale of subsidiaries and activities

ACQUISITIONS DURING 2018

Hamburg Südamerikanische Dampfschifffahrts-Gesellschaft KG (Hamburg Süd)

In Q4 2018, the provisional purchase price allocation regarding Hamburg Süd, prepared at closing on 30 November 2017, was finalised, resulting in a reduction of the calculated goodwill by USD 72m to USD 316m. The changes were primarily related to working capital balances.

Cash flow used for acquisitions in 2017	Hamburg Süd	Other	Total
FAIR VALUE AT TIME OF ACQUISITION			
Intangible assets	1,143 [1]	-	1,143
Property, plant and equipment	3,868 [2]	-	3,868
Financial assets	202	-	202
Deferred tax assets	19	-	19
Current assets	1,043 [3]	-	1,043
Provisions	-561 [4]	-	-561
Liabilities	-1,751 [5]	-	-1,751
Net assets acquired	**3,963**	**-**	**3,963**
Non-controlling interests	-	-	-
A.P. Møller - Mærsk A/S' share	**3,963**	**-**	**3,963**
Goodwill	388	-	388
Purchase price [6]	**4,351**	**-**	**4,351**
Contingent consideration paid	-	1	1
Cash and bank balances assumed	-200	-	-200
Cash flow used for acquisition of subsidiaries and activities	**4,151**	**1**	**4,152**

[1] Intangible assets consist mainly of customer relations and brand name rights.

[2] Property, plant and equipment consists mainly of container vessels and containers.

[3] Current assets consist mainly of trade and other receivables.

[4] Of which USD 317m relates to unfavourable lease contracts, where USD 234m is reported as non-current provisions and USD 83m as current provisions. Furthermore, USD 230m relates to tax provisions, whereas an indemnification of USD 148m is recognised as a financial asset.

[5] Non-current liabilities consist mainly of financial lease obligations, borrowings and other payables, whereas current liabilities consist mainly of trade payables.

[6] The purchase price of USD 4,351m includes a positive hedge effect of USD 118m.

ACQUISITIONS DURING 2017

Hamburg Südamerikanische Dampfschifffahrts-Gesellschaft KG (Hamburg Süd)

As of 1 December 2017, the Group acquired 100% of the shares in Hamburg Süd including partnership shares in asset-owning companies (SPCs) owning vessels, newbuild contracts and containers connected hereto. Hamburg Süd is included in the consolidated financial reporting from 1 December 2017.

The goodwill of USD 388m is primarily attributable to network synergies between Maersk Line and Hamburg Süd including its Brazilian subsidiary Aliança, and is not deductible for tax purposes. From the acquisition date to 31 December 2017, Hamburg Süd Group contributed with a revenue of USD 0.5bn, while the result was immaterial.

If the acquisition had occurred on 1 January 2017, the impact on Group revenue would have been USD 5.4bn (proforma), while the result would have increased by USD 0.1bn.

For 2017, the acquisition and integration costs amounted to USD 59m.

The accounting for the business combination is considered provisional at 31 December 2017, as the acquisition was only completed on 1 December 2017.

ESTIMATES AND JUDGEMENTS

Fair value measurement

When applying the acquisition method of accounting, fair value assessments are made for identifiable assets acquired and liabilities assumed. Determining fair values at the date of acquisition by nature requires management to apply estimates. Significant estimates are particularly applied in the valuation of vessels, containers, customer relationships, brands, finance lease obligations and unfavourable contracts. The inherent uncertainties in the fair value estimates may result in measurement adjustments in the 12 months following closing of the transaction. Goodwill has been assessed as recoverable at 31 December 2017.

Acquired material net assets for which significant accounting estimates have been applied are recognised using the following valuation techniques:

INTANGIBLE ASSETS

Customer relationships have been measured using the excess earnings method, in which the present value of future cash flows from recurring customers expected to be retained after the date of acquisition is valued. The main input value drivers are the estimated future retention rates and net cash flows of the acquired customer base. These have been estimated based on management's analysis of the acquired customer base, historical data and general business insights. The useful life of customer relationships is estimated at 15 years.

The fair value of brands has been measured using the relief from royalty method, in which management, based on an analysis, has assessed a royalty rate which an independent third party would charge for the use of the brands. Besides the royalty rate, the main input value driver is estimated future revenue. The useful life of brand names are estimated at 20 years.

The valuation of intangible assets reflects a market participant´s view, applying a discount rate of 9-10%.

Amounts in USD million

Note 21 — continued

Acquisition/sale of subsidiaries and activities

PROPERTY, PLANT AND EQUIPMENT
Fair value of vessels and containers is measured using the market comparison method based on internally prepared valuations compared with external valuations.

FINANCIAL LEASE OBLIGATIONS
The fair value of financial lease obligations has been measured using a discounted cash flow model in which the present value of the obligations has been determined based on the contractual future lease payments and an A.P. Moller - Maersk calculated borrowing rate.

UNFAVOURABLE CONTRACTS
The fair value of unfavourable contracts is measured using the market comparison method based on the actual market rates for similar contracts.

Cash flow from sale	2018	2017
CARRYING AMOUNT		
Property, plant and equipment	2	178
Financial assets	-	20
Deferred tax assets	-	52
Current assets	43	143
Provisions	-	-8
Liabilities	-13	-147
Net assets sold	**32**	**238**
Non-controlling interests	-	-26
A.P. Møller - Mærsk A/S' share	**32**	**212**
Gain/loss on sale[1]	-32	140
Proceeds from sale	**-**	**352**
Change in receivable proceeds, etc.	-40	40
Contingent consideration recognised	-4	-
Non-cash items	-	-31
Cash and bank balances sold	-33	-47
Cash flow from sale of subsidiaries and activities	**-77**	**314**

[1] Excluding accumulated exchange rate gain/loss recognised in equity.

Sales during 2018
No material external sales were performed during 2018. The sale of discontinued operations is disclosed in note 9.

Sales during 2017
In continuing operations, sales during 2017 primarily comprise Mercosul Line triggered by the Hamburg Süd acquisition, Pentalver in the UK, Dalian terminal in China and Zeebrugge terminal in Belgium. The sale of discontinued operations is disclosed in note 9.

Amounts in USD million

Note 22

Related parties

	Controlling parties		Associated companies		Joint ventures		Management[1]	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
INCOME STATEMENT								
Revenue	55	13	41	29	105	101	-	-
Operating costs	4	38	286	306	803	735	9[2]	12[2]
Remuneration to management		-		-		-	25	15
Other	1	-		-	1	1		-
ASSETS								
Other receivables, non-current	-	-	-	-	166	143	-	-
Trade receivables	38	31	36	7	31	40	-	-
Other receivables, current	-	-	44	41	11	87	-	-
LIABILITIES								
Bank and other credit institutions, etc. current	-	-	-	-	25	24	-	
Trade payables	-	-	34	40	111	125	1	-
Other	-	1	-	-	-	-	-	-
Purchase of property, plant and equipment, etc.		-		-		-		-
Sale of companies, property, plant and equipment, etc.		1,230[3]		-		-		-
Capital increase			34		11			-
Dividends	1	-	70	56	123	157	-	-

[1] The Board of Directors and the Executive Board in A.P. Møller - Mærsk A/S, A.P. Møller Holding A/S, A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal and their close relatives (including undertakings under their significant influence). Trade receivables and payables include customary business-related accounts regarding shipping activities.
[2] Includes commission and commercial receivables to Maersk Broker K/S from chartering as well as the purchase and sale of ships.
[3] Includes USD 1.2bn relating to the sale of shares in Maersk Tankers A/S to APMH Invest A/S, and USD 13m for the sale of a building to A.P. Møller Holding A/S.

Joint usage agreement with A.P. Møller Holding A/S
With the objective of further strengthening the value of the brands, A.P. Møller - Mærsk A/S has entered into a joint usage agreement with A.P. Møller Holding A/S regarding the use of commonly used trademarks which historically have benefited both A.P. Møller - Mærsk A/S and A.P. Møller Holding A/S. A.P. Møller Holding A/S is the controlling shareholder of A.P. Møller - Mærsk A/S, and is wholly owned by A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal. The joint usage agreement establishes a framework and a branding strategy for the commonly used trademarks and a joint brand board, where the parties can cooperate regarding the use of these trademarks.

A.P. Møller Holding A/S, Copenhagen, Denmark has control over the company and prepares consolidated financial statements. A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal is the ultimate owner.

Dividends distributed are not included.

Amounts in USD million

Note 23

Significant accounting policies

BASIS OF PREPARATION
The consolidated financial statements for 2018 for A.P. Moller - Maersk have been prepared on a going concern basis and in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for listed companies. The consolidated financial statements are also in accordance with IFRS as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements of A.P. Moller - Maersk are included in the consolidated financial statements of A.P. Møller Holding A/S.

The accounting policies are consistent with those applied in the consolidated financial statements for 2017, except for the following areas:

- A.P. Moller - Maersk has changed its reportable segments. Comparative figures have been restated.
- A.P. Moller - Maersk has changed the presentation of the cash flow statement. Net financial payments are included in cash flow from financing activities, and dividends received are included in cash flow from investing activities. These items were previously included in cash flow from operating activities. Comparative figures have been restated.

The effects of the changes on the cash flow statement are as follows:

USD million	2018	2017
Cash flow from operating activities	+92	+517
Cash flow from investing activities	+439	+213
Cash flow from financing activities	-531	-730

In addition, a number of changes to accounting standards are effective from 1 January 2018 and are endorsed by the EU. Those of relevance to A.P. Moller - Maersk are:

- Revenue from contracts with customers (IFRS 15)
- Foreign currency transactions and advance consideration (IFRIC 22)
- Classification and Measurement of Share-based Payment Transactions (amendments to IFRS 2)
- Annual Improvements 2014-2016 (amendments to IFRS 1 and IAS 28).

IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS
A.P. Moller - Maersk's current practice for recognising revenue has been shown to comply, in all material aspects, with the concepts and principles encompassed by the new standard.

For IFRS 15, the modified retrospective approach has been applied which entails that any cumulative effects are recognised in retained earnings as of 1 January 2018 and the comparison period has not been restated.

The other amendments encompass various guidance and clarifications which only affect disclosures.

New financial reporting requirements coming into effect after 31 December 2018 are outlined in note 25:

CONSOLIDATION
The consolidated financial statements comprise the parent company A.P. Møller - Mærsk A/S, its subsidiaries and proportionate shares in joint arrangements classified as joint operations.

Subsidiaries are entities controlled by A.P. Møller - Mærsk A/S. Control is based on the power to direct the relevant activities of an entity and the exposure, or right, to variable returns arising from it. In that connection, relevant activities are those that significantly affect the investee's returns. Control is usually achieved by directly or indirectly owning or in other ways controlling more than 50% of the voting rights or by other rights, such as agreements on management control.

Joint arrangements are entities in which A.P. Moller - Maersk, according to contractual agreements with one or more other parties, has joint control. The arrangements are classified as joint ventures, if the contracting parties' rights are limited to net assets in the separate legal entities, and as joint operations, if the parties have direct and unlimited rights to the assets and obligations for the liabilities of the arrangement.

Entities in which A.P. Moller - Maersk exercises a significant but non-controlling influence are considered associated companies. A significant influence is usually achieved by directly or indirectly owning or controlling 20-50% of the voting rights. Agreements and other circumstances are considered when assessing the degree of influence.

Consolidation is performed by summarising the financial statements of the parent company and its subsidiaries, including the proportionate share of joint operations, part-owned vessels and pool arrangements, which have been prepared in accordance with A.P. Moller - Maersk's accounting policies. Intra-group income and expenses, shareholdings, dividends, intra-group balances and gains on intra-group transactions are eliminated. Unrealised gains on transactions with associated companies and joint arrangements are eliminated in proportion to A.P. Moller - Maersk's ownership share. Unrealised losses are eliminated in the same way, unless they indicate impairment.

Non-controlling interests' share of profit/loss for the year and of equity in subsidiaries is included as part of A.P. Moller - Maersk's profit and equity respectively, but shown as separate items.

FOREIGN CURRENCY TRANSLATION
The consolidated financial statements are presented in USD, the functional currency of the parent company. In the translation to the presentation currency for subsidiaries, associates or joint arrangements with functional currencies other than USD, the total comprehensive income is translated into USD at average exchange rates, and the balance sheet is translated at the exchange rates as at the balance sheet date. Exchange rate differences arising from such translations are recognised directly in other comprehensive income and in a separate reserve of equity.

The functional currency varies from business area to business area. For A.P. Moller - Maersk's principal shipping activities, the functional currency is typically USD. This means, among other things, that the carrying amounts of property, plant and equipment and intangible assets and, hence, depreciation and amortisation, are maintained in USD from the date of acquisition. For other activities, including container terminal activities and land-based container activities, the functional currency is generally the local currency of the country in which such activities are performed, unless circumstances suggest a different currency is appropriate. The functional currency of oil and oil-related business within discontinued operations is USD.

Amounts in USD million

Note 23 — continued

Significant accounting policies

Transactions in currencies other than the functional currency are translated at the exchange rate prevailing at the date of the transaction. Monetary items in foreign currencies not settled at the balance sheet date are translated at the exchange rate as at the balance sheet date. Foreign exchange gains and losses are included in the income statement as financial income or expenses.

SEGMENT INFORMATION (NEW SEGMENT STRUCTURE)
The allocation of business activities into segments reflects A.P. Moller - Maersk's character as an integrated container logistics business and is in line with the internal management reporting. The reportable segments are as follows:

Ocean	Global container shipping activities including strategic transhipment hubs
Logistics & Services	Freight forwarding, supply chain management, inland haulage and other logistics services
Terminals & Towage	Gateway terminal activities, towage and related marine activities
Manufacturing & Others	Production of reefer and dry containers, trading and sale of bunker oil and other businesses

Operating segments have not been aggregated.

The reportable segments mainly comprise:

OCEAN
Ocean activities, defined as operating activities under Maersk Line, Safmarine, Sealand – A Maersk Company and Hamburg Süd brands with 'Ocean container freight' being the main revenue stream. Ocean container freight is defined as the cost-per-weight measure of transporting goods on board a container vessel across the ocean, including demurrage and detention (D&D), terminal handling, documentation services, container services as well as container storage.

Hub activities, defined as operating activities under the APM Terminal brand generating revenue by providing port services only in major transhipment ports such as Rotterdam, Maasvlakte-II, Algeciras, Tangier, Tangier-Med II, Port Said, and joint ventures in Salalah, Tanjung Pelepas and Bremerhaven. The respective terminals are included under the Ocean segment, as the primary purpose of those ports is to provide transhipment services to Maersk's Ocean business, whereas third-party volumes sold in those locations are considered secondary.

LOGISTICS & SERVICES
Damco activities, defined as all operating activities under the Damco brand, a provider of logistics, freight forwarding and supply chain management services.

Inland haulage activities (intermodal), defined as all operating activities under Maersk Line, Safmarine, Sealand – A Maersk Company brands with the main stream of revenue deriving from the transportation of containers from vendors (shippers) to the port of shipment, and from discharge port to the point of stripping (consignee) by truck and/or rail. Inland haulage activities operating under the Hamburg Süd brand are still part of the Ocean activity.

APM Terminals inland activities, defined as operating activities in inland activities facilities fully or partially controlled by APM Terminals, with the main revenue stream being inland services such as full container storage, bonded warehousing, empty depot, local transportation, etc.

Trade Finance, a function providing export finance solutions, post-shipment and import finance solutions.

Star Air activities, operating cargo aircraft on behalf of UPS.

TERMINALS & TOWAGE
Terminals activities, defined as operating activities in ports fully or partially controlled by the APM Terminals brand, with the main revenue stream being port activities not considered a hub activity as described above.

Towage activities, defined as all operating activities under the Svitzer brand, a provider of offshore towage and salvage services.

MANUFACTURING & OTHERS
Maersk Container Industry, a container manufacturer that produces dry containers and reefer containers.

Maersk Oil Trading, dedicated to sourcing marine fuels and lubricants for A.P. Moller - Maersk's fleet in addition to refinery activities and sales to external parties including Maersk Tankers.

Hamburg Süd tramp activity, bulk and tanker activity acquired as part of the Hamburg Süd acquisition.

Other businesses, consisting of Maersk Training, a provider of training services to the maritime, oil and gas, offshore wind and crane industries.

The reportable segments do not comprise costs in A.P. Moller - Maersk's corporate functions. These functions are reported as unallocated items.

Revenue between segments is limited, except for the Terminals & Towage segment, where a large part of the services is delivered to the Ocean segment as well as the sale of containers from Maersk Container Industry to the Ocean segment. Sales of products and services between segments are based on market terms.

Maersk Oil, Maersk Drilling and Maersk Supply Service were classified as discontinued operations during 2017.

INCOME STATEMENT
Revenue for all businesses is recognised when the performance obligation has been satisfied, which happens upon the transfer of control to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for the goods and services.

Revenue from shipping activities is recognised over time as the performance obligation is satisfied, including a share of revenue from incomplete voyages at the balance sheet date. Invoiced revenue related to an estimated proportion of remaining voyage time and activities at the destination port is deferred. Detention and demurrage fees are

Amounts in USD million

Note 23 — continued

Significant accounting policies

recognised over time up until the time of the customer´s late return or pick-up of containers. Retrospective volume rebates provided to certain customers which give rise to variable consideration are based on the expected value method and allocated to ocean freight revenue.

Revenue from terminal operations and towing activities is recognised upon completion of the service. In container terminals operated under certain restrictive terms of pricing and service, etc., the value of tangible assets constructed on behalf of the concession grantor is recognised as revenue during the construction.

Revenue from most freight forwarding activities is recognised over time.

Revenue from the sale of goods is recognised upon the transfer of control to the buyer.

Lease income from operating leases is recognised over the lease term.

Share of profit/loss in associated companies and joint ventures is recognised net of tax and corrected for the share of unrealised intra-group gains and losses. The item also comprises any impairment losses for such investments and their reversal.

Tax comprises an estimate of current and deferred income tax as well as adjustments to previous years of those. Income tax is tax on taxable profits, and consists of corporation tax, withholding tax of dividends, etc. In addition, tax comprises tonnage tax. Tonnage tax is classified as tax when creditable in, or paid in lieu of, income tax. Tax is recognised in the income statement to the extent that it arises from items recognised in the income statement, including tax on gains on intra-group transactions that have been eliminated in the consolidation.

Earnings per share are calculated as the A.P. Møller - Mærsk A/S' share of the profit/loss for the year divided by the number of shares (of DKK 1,000 each), excluding A.P. Moller - Maersk's holding of own shares. Diluted earnings per share are adjusted for the dilution effect of share-based compensation issued by the parent company.

STATEMENT OF COMPREHENSIVE INCOME

Other comprehensive income consists of income and costs not recognised in the income statement, including exchange rate adjustments arising from the translation from functional currency to presentation currency, fair value adjustments of other equity investments (at FVOCI), cash flow hedges, forward points and currency basis spread as well as actuarial gains/losses on defined benefit plans, etc. A.P. Moller - Maersk's share of other comprehensive income in associated companies and joint ventures is also included.

On disposal or discontinuation of an entity, A.P. Moller - Maersk's share of the accumulated exchange rate adjustment relating to the relevant entity with a non-USD functional currency is reclassified to the income statement. Accumulated value adjustments of equity instruments classified as equity instruments at fair value through other comprehensive income will remain in equity upon disposal.

Other comprehensive income includes current and deferred income tax to the extent that the items recognised in other comprehensive income are taxable or deductible.

BALANCE SHEET

Intangible assets are measured at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the estimated useful lives of the assets. Intangible assets regarding acquired customer relationships and brand names are amortised over a useful life of 15 and 20 years, respectively. IT software is amortised over a useful life of 3-5 years.

For container terminals operated under certain restrictive price and service conditions, etc., concessional rights to collect usage charges are included under intangible assets. The cost includes the present value of minimum payments under concession agreements and the cost of property, plant and equipment constructed on behalf of a grantor of a concession. The rights are amortised from the commencement of operations over the concession period.

Property, plant and equipment are valued at cost less accumulated depreciation and impairment losses. Depreciation is charged to the income statement on a straight-line basis over the useful lives at an estimated residual value. The useful lives of new assets are typically as follows:

Ships, etc.	20-25 years
Containers, etc.	12 years
Buildings	10-50 years
Terminal infrastructure	10-20 years or concession period, if shorter
Plant and machinery, cranes and other terminal equipment	5-20 years
Other operating equipment, fixtures, etc.	3-7 years

Estimated useful lives and residual values are reassessed on a regular basis.

The cost of an asset is divided into separate components, which are depreciated separately if the useful lives of the individual components differ. Dry-docking costs are recognised in the carrying amount of ships when incurred and depreciated over the period until the next dry-docking.

The cost of assets constructed by A.P. Moller - Maersk includes directly attributable expenses. For assets with a long construction period, borrowing costs during the construction period from specific as well as general borrowings are attributed to cost. In addition, the cost includes the net present value of estimated costs of removal and restoration.

Impairment losses are recognised when the carrying amount of an asset or a cash-generating unit exceeds the higher of the estimated value in use and fair value less costs of disposal. Goodwill is attributed to cash-generating units on acquisition and impaired before other assets.

Amounts in USD million

Note 23 — continued

Significant accounting policies

Intangible assets and property, plant and equipment are tested for impairment if there is an indication of impairment. However, annual impairment tests are carried out for goodwill and other intangible assets with indefinite useful lives as well as intangible assets that are not yet in use.

Assets are **held for sale**, when the carrying amount of an individual non-current asset, or disposal groups, will be recovered principally through a sale transaction rather than through continuing use. Assets are classified as held for sale when activities to carry out a sale have been initiated, when the activities are available for immediate sale in their present condition and when the activities are expected to be disposed of within 12 months. Liabilities directly associated with assets held for sale are presented separately from other liabilities.

Assets held for sale are measured at the lower of carrying amount immediately before classification as held for sale and fair value less costs to sell, and impairment tests are performed immediately before classification as held for sale. Non-current assets are not depreciated or amortised while classified as held for sale. Measurement of deferred tax and financial assets and liabilities is unchanged.

Lease contracts are classified as operating or finance leases at the inception of the lease. Once determined, the classification is not subsequently reassessed unless there are changes to the contractual terms. Contracts which transfer all significant risks and benefits associated with the underlying asset to the lessee are classified as finance leases. Assets held under finance leases are treated as property, plant and equipment.

Investments in associated companies and joint ventures are recognised as A.P. Moller - Maersk's share of the equity value inclusive of goodwill less any impairment losses. Goodwill is an integral part of the value of associated companies and joint ventures and is therefore subject to an impairment test together with the investment as a whole. Impairment losses are reversed to the extent the original value is considered recoverable.

Equity instruments, etc., including shares, bonds and similar securities, are recognised on the trading date at fair value, and subsequently measured at the quoted market price for listed securities and at estimated fair value for non-listed securities. Fair value adjustments from equity investments at fair value through other comprehensive income (FVOCI) remain in equity upon disposal. Dividends are recognised in the income statement.

Inventories mainly consist of bunker, containers (manufacturing), spare parts not qualifying for property, plant and equipment and other consumables. Inventories are measured at cost, primarily according to the FIFO method. The cost of finished goods and work in progress includes direct and indirect production costs.

Loans and receivables are initially recognised at fair value, plus any direct transaction costs, and subsequently measured at amortised cost using the effective interest method. For loans and other receivables, write-down is made for anticipated losses based on specific individual or group assessments. For trade receivables, the loss allowance is measured in accordance with IFRS 9 applying a provision matrix to calculate the minimum impairment. The provision matrix includes an impairment for non-due receivables.

Equity includes total comprehensive income for the year comprising the profit/loss for the year and other comprehensive income. Proceeds on the purchase and sale of own shares and dividend from such shares are recognised in equity.

The translation reserve comprises A.P. Moller - Maersk's share of accumulated exchange rate differences arising on translation from functional currency into presentation currency. The reserve for other equity investments comprises accumulated changes in the fair value of equity investments (at FVOCI), net of tax. Reserve for hedges includes the accumulated fair value of derivatives qualifying for cash flow hedge accounting, net of tax as well as forward points and currency basis spread.

Equity-settled performance shares, restricted shares and share options allocated to the executive employees of A.P. Moller - Maersk as part of A.P. Moller - Maersk's long-term incentive programme are recognised as staff costs over the vesting period at estimated fair value at the grant date and a corresponding adjustment in equity. Cash-settled performance awards allocated to employees below executive levels as part of A.P. Moller - Maersk's long-term incentive programme are recognised as staff costs over the vesting period and a corresponding adjustment in other payables.

At the end of each reporting period, A.P. Moller - Maersk revises its estimates of the number of awards that are expected to vest based on the non-market vesting conditions and service conditions. Any impact of the revision is recognised in the income statement with a corresponding adjustment to equity and other payables.

Provisions are recognised when A.P. Moller - Maersk has a present legal or constructive obligation from past events. The item includes, among other things, legal disputes, provisions for onerous contracts, unfavourable contracts acquired as part of a business combination as well as provisions for incurred, but not yet reported, incidents under certain insurance programmes, primarily in the US. Provisions are recognised based on best estimates, and are discounted where the time element is significant and where the time of settlement is reasonably determinable.

Pension obligations are the net liabilities of defined benefit obligations and the dedicated assets adjusted for the effect of minimum funding and asset ceiling requirements. Plans with a funding surplus are presented as net assets on the balance sheet. The defined benefit obligations are measured at the present value of expected future payments to be made in respect of services provided by employees up to the balance sheet date. Plan assets are measured at fair value. The pension cost charged to the income statement consists of calculated amounts for vested benefits and interest in addition to settlement gains or losses, etc. Interest on plan assets is calculated with the same rates as used for discounting the obligations. Actuarial gains/losses are recognised in other comprehensive income.

Pension plans where A.P. Moller - Maersk, as part of collective bargaining agreements, participates together with other enterprises – so called multi-employer plans – are treated as other pension plans in the financial statements. For defined benefit multi-employer plans where sufficient information to apply defined benefit accounting is not available, the plans are treated as defined contribution plans.

Deferred tax is calculated on temporary differences between the carrying amounts and tax bases of assets and liabilities. Deferred tax is not recognised for differences on the initial recognition of assets or liabilities, where at the time of the transaction neither accounting nor taxable profit/loss is affected, unless the differences arise in a business combination. In addition, no deferred tax is recognised for undistributed earnings in subsidiaries, when A.P. Moller - Maersk controls the timing of dividends, and no taxable dividends are currently expected. A deferred tax asset is recognised to the extent that it is probable that it can be utilised within a foreseeable future.

Amounts in USD million

Note 23 — continued

Significant accounting policies

Financial liabilities are initially recognised at fair value less transaction costs. Subsequently, the financial liabilities are measured at amortised cost using the effective interest method, whereby transaction costs and any premium or discount are recognised as financial expenses over the term of the liabilities. Fixed interest loans subject to fair value hedge accounting are measured at amortised cost with an adjustment for the fair value of the hedged interest component. Liabilities in respect of finance leases are measured at the interest rate implicit in the lease, if practicable to determine, or else at A.P. Moller - Maersk's incremental borrowing rate.

DERIVATIVE FINANCIAL INSTRUMENTS
Derivative financial instruments are recognised on the trading date and measured at fair value using generally acknowledged valuation techniques based on relevant observable swap curves and exchange rates.

The effective portion of changes in the value of derivative financial instruments designated to hedge highly probable future transactions is recognised in other comprehensive income until the hedged transactions are realised. At that time, the accumulated gains/losses are transferred to the items under which the hedged transactions are recognised. The effective portion of changes in the value of derivative financial instruments used to hedge the value of recognised financial assets and liabilities is recognised in the income statement together with changes in the fair value of the hedged assets or liabilities that can be attributed to the hedging relationship. Currency basis spread and forward points are considered a cost of hedging and deferred in equity.

The ineffective portion of hedge transactions and changes in the fair values of derivative financial instruments, which do not qualify for hedge accounting, are recognised in the income statement as financial income or expenses for interest and currency-based instruments, and as other income/costs for oil price hedges and forward freight agreements.

CASH FLOW STATEMENT
Cash flow from operating activities includes all cash transactions other than cash flows arising from investments and divestments, received dividends, principal payments of loans, instalments on finance lease liabilities, paid and received financial items and equity transactions. Capitalisation of borrowing costs is considered as a non-cash item, and the actual payments of these borrowing costs are included in cash flow from financing.

Cash and cash equivalents comprise cash and bank balances net of bank overdrafts where overdraft facilities form an integral part of A.P. Moller - Maersk's cash management.

BUSINESS COMBINATIONS AND DISPOSAL OF SUBSIDIARIES
Upon acquisition of new entities, the acquired assets, liabilities and contingent liabilities are measured at fair value at the date when control was achieved using the acquisition method. Identifiable intangible assets are recognised if they arise from a contractual right or can otherwise be separately identified. The difference between the fair value of the acquisition cost and the fair value of acquired identifiable net assets is recognised as goodwill. Contingent consideration is measured at fair value and any subsequent changes to contingent consideration are recognised as other income or other costs in the income statement. Transaction costs are recognised as operating costs as they are incurred.

When A.P. Moller - Maersk ceases to have control of a subsidiary, the value of any retained investment is re-measured at fair value, and the value adjustment is recognised in the income statement as a gain (or loss) on the sale of non-current assets. The difference between sales proceeds and the carrying amount of the subsidiary is recognised in the income statement including fair value of contingent consideration at the time of sale. Contingent consideration is re-measured at fair value with changes recognised in the income statement.

The effect of the purchase and sale of non-controlling interests without changes in control is included directly in equity.

DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE
Discontinued operations represent a separate major line of business disposed of or in preparation for sale. The results of discontinued operations are presented separately in the income statement, and the cash flows from discontinued operations are presented separately in the cash flow statement with restatement of comparative figures. Assets and liabilities held for sale from discontinued operations are presented as separate items in the balance sheet with no restatement of comparative figures. Elimination between continuing and discontinued operations is presented to reflect continuing operations as post-separation, which entails the elimination of interest, borrowing, dividends and capital increases.

Assets and liabilities from discontinued operations and assets held for sale except financial assets, etc., are measured at the lower of carrying amount immediately before classification as held for sale and fair value less cost to sell, and impairment tests are performed immediately before classification as held for sale. Non-current assets held for sale are not depreciated.

In addition to the above general **accounting policies**, the following are significant about discontinued operations.

For drilling activities, **revenue** is recognised in accordance with the agreed day rates for the work performed to date. Compensations received, or receivable, for early termination are recognised as revenue with deferral of an estimated value of any obligations to stand ready for new engagements in the remaining contract period.

Oil and gas revenue is recognised as revenue upon discharge from the production site, reflecting the production entitlement quantities. In agreements where tax is settled in oil, an amount corresponding to the sales value is recognised as both revenue and tax.

Income **tax** also consists of oil tax based on gross measures. Oil tax on gross measures is a special tax in certain countries on the production of hydrocarbons and is separately disclosed within tax.

Intangible assets regarding acquired oil resources (concession rights, etc.) are amortised over a useful life of production until the fields' expected production periods end – a period of up to 20 years until classification as assets held for sale.

In **property, plant and equipment**, oil production facilities, where oil is received as payment for the investment (cost oil), depreciation generally takes place concurrently with the receipt of cost oil until classification as assets held for sale.

Amounts in USD million

Note 23 — continued

Significant accounting policies

The cost includes the net present value of estimated costs of abandonment.

Annual impairment tests are not carried out for oil concession rights within the scope of IFRS 6.

The useful lives of new assets are 25 years for rigs and up to 20 years for oil and gas production facilities, etc. – based on the expected production periods of the fields.

Provisions includes provisions for the abandonment of oil fields.

Note 24

Significant accounting estimates and judgements

The preparation of the consolidated financial statements requires management, on an ongoing basis, to make judgements and estimates and form assumptions that affect the reported amounts. Management forms its judgements and estimates based on historical experience, independent advice and external data points as well as in-house specialists and on other factors believed to be reasonable under the circumstances.

In certain areas, the outcome of business plans, including ongoing negotiations with external parties to execute those plans or to settle claims that are raised against A.P. Moller - Maersk, is highly uncertain. Therefore, assumptions may change or the outcome may differ in the coming years, which could require a material upward or downward adjustment to the carrying amounts of assets and liabilities. This note includes the areas in which A.P. Moller - Maersk is particularly exposed to a material adjustment of the carrying amounts as at the end of 2018.

GENERAL

Aspects of uncertainty

In its assumption setting, management deals with different aspects of uncertainty. One aspect of uncertainty is whether an asset or liability exists where the assessment forms the basis for recognition or derecognition decisions, including assessment of control. Another aspect is the measurement uncertainty, where management makes assumptions about the value of the assets and liabilities that are deemed to exist. These assumptions concern the timing and amount of future cash flows and the risks inherent in these.

Container freight rates

The future development in container freight rates is an uncertain and significant factor impacting especially Maersk Line, whose financial results are directly affected by fluctuations in container freight rates. Freight rates are influenced by the global economic environment and trade patterns, as well as by industry-specific trends in respect of capacity supply and demand. In addition, the new global low sulphur bunker fuel regulation (IMO 2020) which comes into effect in January 2020 is expected to increase the cost of compliant fuels significantly. Alternatively, installing scrubbers on vessels will enable the use of today's lower cost fuels but will instead require substantial capital expenditure. There is significant uncertainty that the increased cost regarding implementation and compliance with the IMO 2020 requirements cannot be recovered from customers through the freight rate.

Oil prices

The future development in the oil price is an uncertain and significant factor impacting accounting estimates across A.P. Moller - Maersk either directly or indirectly. Maersk Line is directly impacted by the price of bunker oil, where the competitive landscape determines the extent to which the development is reflected in the freight rates charged to the customer. APM Terminals is indirectly impacted by the oil price as terminals located in oil-producing countries, e.g. Nigeria, Angola, Egypt, Russia and Brazil, are indirectly impacted by the development in oil prices and the consequences on the countries' economies, which not only affects volume handled in the terminals, but also exchange rates.

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

A.P. Moller - Maersk carries goodwill of USD 645m (USD 723m) and intangible assets with indefinite lives of USD 34m (USD 34m). The majority of non-current assets are amortised over their useful economic lives.

Management assesses impairment indicators across this asset base. Judgement is applied in the definition of cash-generating units and in the selection of methodologies and assumptions for impairment tests.

Amounts in USD million

Note 24 — continued

Significant accounting estimates and judgements

The determination of cash-generating units differs for the various businesses. Ocean operates its fleet of container vessels, containers and hub terminals in an integrated network, for which reason the Ocean activities are tested for impairment as a single cash-generating unit. In addition, the intermodal activities reported under Logistics & Services are included in the Ocean cash-generating unit for impairments testing to apply consistency between he asset base and related cash flows. In Logistics & Services, apart from Intermodal, each entity is defined as a cash-generating unit. In gateway terminals, each terminal is considered individually in impairment tests, except when the capacity is managed as a portfolio, which is the case for certain terminals in Northern Europe and Global Ports Investments (Russia). Towage groups vessels according to type, size, etc. in accordance with the structure governing management's ongoing follow-up. Projected cash flow models are used when fair value is not obtainable or when fair value is deemed lower than value in use. External data is used to the extent possible, and centralised processes, involving corporate functions, ensure that indexes or data sources are selected consistently while observing differences in risks and other circumstances. Current market values for vessels, etc. are estimated using acknowledged brokers.

IMPAIRMENT CONSIDERATIONS
In Ocean, although freight rates improved compared to 2017, it was not enough to compensate for the 32% increase in average bunker cost, the continuing low freight rates and an historical inability in the industry to recoup cost due to increased bunker costs are impairment indicators. In addition, the estimated fair value of the fleet continues to be significantly lower than the carrying amount. Consequently, an estimate of the recoverable amount has been prepared by a value in use calculation. The cash flow projection is based on forecasts as per December 2018 covering plans for 2019-23. The key sensitivities are: development in freight rates, container volumes, bunker costs, effect of cost savings as well as the discount rate. Management has applied an assumption of growth in volumes and continued pressure on, but increasing freight rates, and continued cost efficiency. The impairment test continues to show headroom from value in use to the carrying amount. Management is of the opinion that the assumptions applied are sustainable.

In Terminals & Towage, the decline in activity in oil-producing countries is an impairment indicator for the terminals in these countries. Management assesses impairment triggers, and based on these estimate recoverable amounts on the individual terminals. For APM Terminals' interest in Global Port Investments, being the share of equity and significant intangible assets acquired, management assesses the recoverable amount of its interest on an ongoing basis. Uncertain variables in the estimate are the economic outlook in Russia, local competition, effect on volume, operating expenses and discount rate. The carrying amount of the investment may not be sustainable in the next few years if markets develop significantly adversely compared to current expectations. Estimates of recoverable amounts were also prepared for other terminals where decreasing volumes triggered impairment tests. Key sensitivities are: expected volumes, local port rates, concession right extensions as well as discount rate. An impairment of USD 20m was recognised in 2018 compared to USD 621m in 2017 related to terminals in markets with challenging commercial conditions. Continued economic deterioration and a lack of cash repatriation opportunities in certain oil-producing countries can potentially put further pressure on carrying amounts of terminals in these countries.

Maersk Container Industry decided to consolidate the manufacture of reefer containers at the facility in Qingdao, China, and exit the dry container business completely. Consequently, operation ceased at the facility in San Antonio, Chile, in Q2 and Dongguan, China, in Q4 2018, as it was announced in early 2019 that the factory would not reopen after a planned idle period. In addition to restructuring costs of USD 18m with effect on EBITDA, the closing in Chile resulted in writing down of assets of USD 141m including write-down of inventories. The closure in China resulted in a write-down of assets of USD 66m.

The recoverable amounts for both factories are measured at fair value categorised as level 3 in the fair value hierarchy, as measurements are not based on observable market data and relate mainly to land and buildings which by nature are uncertain.

Reference is made to notes 6 and 7 for information about impairment losses, recoverable amounts and discount rates.

Amortisation, depreciation and residual values
Useful lives are estimated based on experience. Management decides from time to time to revise the estimates for individual assets or groups of assets with similar characteristics due to factors such as quality of maintenance and repair, technical development and environmental requirements. Please refer to note 23 for the useful lives typically used for new assets.

Residual values are difficult to estimate given the long lives of vessels and rigs, the uncertainty as to future economic conditions and the future price of steel, which is considered the main determinant of the residual price. Generally, the residual values of vessels are initially estimated at 10% of the purchase price excluding dry-docking costs. The long-term view is prioritised to disregard, to the extent possible, temporary market fluctuations which may be significant.

OPERATIONS IN COUNTRIES WITH LIMITED ACCESS TO REPATRIATING SURPLUS CASH
A.P. Moller - Maersk operates worldwide, and in this respect, has operations in countries where access to repatriating surplus cash is limited. In these countries, management makes judgements as to how these transactions and balance sheet items are recognised in the financial statements.

PROVISIONS FOR PENSION AND OTHER EMPLOYEE BENEFITS
For defined benefit schemes, management makes assumptions about future remuneration and pension changes, employee attrition rates, life expectancy, inflation and discount rates. When setting these assumptions, management takes advice from the actuaries performing the valuation. The inflation and discount rates are determined centrally for the major plans on a country-by-country basis. All other assumptions are determined on a plan-by-plan basis. Refer to note 13 for information about key assumptions and the sensitivity of the liability to changes in these assumptions.

Plan assets are measured at fair value by fund administrators.

PROVISIONS FOR LEGAL DISPUTES, UNCERTAIN TAX POSITIONS, ETC.
Management's estimate of the provisions regarding legal disputes, including disputes on taxes and duties, is based on the knowledge available on the actual substance of the cases and a legal assessment of these. The resolution of legal disputes, through either negotiations or litigation, can take several years to complete and the outcome is subject to considerable uncertainty.

A.P. Moller - Maersk is engaged in a number of disputes with tax authorities of varying scope. Appropriate provisions have been made where the probability of payment of additional taxes in individual cases is considered more likely than not. Claims, for which the probability of payment is assessed by management to be less than 50%, are not provided for. Such risks are instead evaluated on a portfolio basis by geographical area, and country risk provisions are established where the aggregated risk of additional payments is more likely than not.

Amounts in USD million

Note 24 — continued

Significant accounting estimates and judgements

DEFERRED TAX ASSETS

Judgement has been applied in the measurement of deferred tax assets with respect to A.P. Moller - Maersk's ability to utilise the assets. Management considers the likelihood of utilisation based on the latest business plans and recent financial performances of the individual entities. Net deferred tax assets recognised in entities having suffered an accounting loss in either the current or preceding period amount to USD 142m (USD 206m) for continuing operations, excluding entities participating in joint taxation schemes. These assets mainly relate to unused tax losses or deductible temporary differences generated during the construction of terminals, where taxable profits have been generated either in the current period or are expected within a foreseeable future.

ASSESSMENT OF CONTROL, JOINT CONTROL OR SIGNIFICANT INFLUENCE

A.P. Moller - Maersk's control, joint control or significant influence over an entity or activity is subject to an assessment of power and exposure to variability in returns.

The assessment of control in oil and gas activities entails an analysis of the status of operators in joint arrangements. Operators are responsible for the daily management of the activities carried out within the jointly established framework. Since operators are not exposed to, and have no right to, returns beyond the participating share, and since they can be replaced by agreement, the operators are regarded as agents as defined in IFRS 10. Operators of pool arrangements in shipping are similarly assessed.

When assessing joint control, an analysis is carried out to determine which decisions require unanimity and whether these concerns the activities that significantly affect the returns. Joint control is deemed to exist when business plans, work programmes and budgets are unanimously adopted. Within oil and gas activities, an assessment of joint control is carried out for each phase. These are typically exploration and development, production and decommissioning. Unanimity is often not required during the production phase. Given that the contracting parties have direct and unrestricted rights and obligations in the arrangements' assets or liabilities regardless of voting rights, the arrangements are accounted for as joint operations during all phases.

For pool arrangements in shipping, unanimity is not required in decisions on relevant activities. However, the contracting parties have direct and unrestricted rights and obligations in the unit's assets or liabilities, and as the pool arrangements are not structured into separate legal entities, they are treated as joint operations.

LEASING

Judgement is applied in the classification of leasing as operating or finance leasing. A.P. Moller - Maersk enters into a substantial amount of lease contracts, some of which are combined leasing and service contracts such as time charter agreements.

Management applies a formalised process for the classification and estimation of present values for finance leases using specialist staff in corporate functions.

VALUATION OF DISCONTINUED OPERATIONS

When classifying a disposal group as assets held for sale, management applies judgement to the estimated fair value of the disposal group. Depending on the disposal group's activity, assets and liabilities, the estimated value is encompassed by different levels of uncertainty and thus subsequent adjustments are possible. Measurement of the fair value of the disposal group is categorised as level 3 in the fair value hierarchy, as measurement is not based on observable market data.

According to IFRS 5, discontinued operations are valued at fair value less cost to sell.

A.P. Moller - Maersk has decided to pursue a listing of Maersk Drilling via a demerger in April 2019. In Q3 2018, A.P. Moller - Maersk recognised a positive fair value adjustment of USD 445m in relation to Maersk Drilling following an improved outlook for market fundamentals as well as higher oil prices and share prices of listed peers. Following the positive fair value adjustment, the invested capital of Maersk Drilling was USD 5.0bn. Fair value was primarily based on an external valuation indicating a range for Maersk Drilling's enterprise value. The valuation was based on a combination of several valuation methodologies. Based on the valuation received management has applied judgement to the recognised fair value of Maersk Drilling.

During Q4 2018, the oil price has decreased from above 80 USD/bbl to below 55 USD/bbl at the end of the year and share prices of listed peers have likewise decreased significantly. Consequently, management has reviewed new updated valuations of Maersk Drilling. Based on the review and given that the long-term business fundamentals have not changed, management maintains its fair value assessment of an enterprise value of USD 5.0bn. This is within the range indicated by the new external valuations.

The range indicates uncertainty in regard to assessing the fair value of Maersk Drilling. A fair value adjustment at listing in April 2019 will be recognised in the income statement as part of Profit/loss for the period – discontinuing operations.

In Q3 2018, A.P. Moller - Maersk recognised a negative fair value adjustment of USD 400m in relation to Maersk Supply Service to reflect management's revised expectations of a fair value of the business based on received external value indications and in line with trading levels of listed peers.. The fair value of Maersk Supply Service recognised at 31 December is USD 0.7bn. The fair value estimate for Maersk Supply Service is subject to significant uncertainties given the overcapacity in the off-shore markets which is keeping day rates at a continued low level in addition to the limited number of transactions in the offshore business.

Amounts in USD million

Note 25

New financial reporting requirements

The following new accounting standards are relevant to the Group for the years commencing from 1 January 2019. A.P. Moller - Maersk has not yet applied the following standards:

- IFRS 16 Leases.
- IFRIC 23 Uncertain tax positions.

A.P. Moller - Maersk has in all material aspects, concluded analyses of the impending changes resulting from IFRS 16 and IFRIC 23. The key findings are explained below:

IFRS 16 LEASES
Effective 1 January 2019, APMM applied the new reporting standard on Leases, IFRS 16 according to the adoption date stipulated by the International Accounting Standards Board, IASB. Post transition, leases will be recognised as a right-of-use asset and a corresponding lease liability at the date on which the leased asset is available for use by APMM.

Each lease payment is allocated between a reduction of the liability and an interest expense. The interest expense is charged to the income statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset´s useful life and the lease term on a straight-line basis.

APMM has transitioned to IFRS 16 in accordance with the modified retrospective approach, therefore previous period comparative figures will not be adjusted. Additionally, the definition of a lease under IAS 17 and its related interpretations has been retained. Leases classified as finance leases at 31 December 2018 have been transitioned to IFRS 16 at their carrying amount of USD 2.3bn.

At 31 December 2018, APMM had non-cancellable operating lease commitments for continuing operations of USD 12.0bn (USD 12.0bn). As part of the transition, APMM applied the following adjustments before discounting lease payments:

- Service components included in the pricing of vessel charter fees are not included as part of the lease liability. These costs will be recognised in the income statement as incurred.
- Terminal concession agreements to which APMM is committed, but which will only begin operations during Q1 2019 or later, are not capitalised at transition.
- APMM will not apply the new standard to leases with a remaining term of 12 months or less from 1 January 2019. Additionally, leases with a maximum lease term of less than 12 months are exempted from the provisions of the new standard.

After adjustments and discounting effect the lease liability is estimated at approx. USD 6.0bn. In discounting the future lease payments incremental borrowing rates of 1.6%-11.1% have been applied for the significant leasing contracts. In Q1 2019, the Group will present a bridge between the lease commitments and the lease liability.

The new requirement to recognise a right-of-use asset and a related lease liability has a significant impact on the presentation of APMM's gross debt and profit before depreciation, amortisation and impairment losses (EBITDA).

APMM's gross debt is estimated to increase by approx. USD 6.0bn to USD 17.9bn, while property, plant and equipment increases to approx. USD 36.2bn.

Operating expenses are estimated to decrease, positively impacting EBITDA by USD 1.2bn in comparison to the previous lease standard IAS 17. The cost related to operating leases will be recognised as depreciation, negatively impacting profit before financial items (EBIT) and interest cost, negatively impacting profit before tax.

IFRIC 23 UNCERTAIN TAX POSITIONS
A.P. Moller - Maersk follows most of the guidelines in IFRIC 23 for accounting for uncertain income tax positions and the implementation of the interpretation standard is not expected to result in a significant change to the net amount of tax provisions. The recognition in the balance sheet will change as A.P. Moller - Maersk currently recognises uncertain tax positions under provisions, whereas from 2019 these will be recognised as current and deferred tax.

Amounts in USD million

Note 26

Subsequent events

On 21 February 2019, the Board of Directors has decided to initiate the separation of the drilling activities through a demerger. The shares in Maersk Drilling Holding A/S (Maersk Drilling) and its subsidiaries as well as certain other assets and liabilities will be contributed to a new company with the legal name ´The Drilling Company of 1972 A/S´. The Board of Directors intends to propose the demerger for approval by the shareholders of A.P. Møller - Mærsk A/S at the Annual General Meeting on 2 April 2019.

Subject to approval at the Annual General Meeting, the shares in Maersk Drilling will be distributed to A.P. Moller - Maersk shareholders with anticipated first day of trading on 4 April 2019. The A.P. Moller - Maersk Board of Directors intends to propose a single share class structure for Maersk Drilling with the new listed shares being distributed on a pro-rata basis based on the nominal value of the shares in A.P. Møller - Mærsk A/S. Shareholders will receive one share in Maersk Drilling per nominal A.P. Moller - Maersk DKK 500 share and two shares in Maersk Drilling per nominal A.P. Moller - Maersk DKK 1,000 share.

Parent company

Financial statements 2018

A.P. Møller - Mærsk A/S

(In parenthesis the corresponding figures for 2017)

Income statement

Statement of comprehensive income

Balance sheet at 31 December

Cash flow statement

Statement of changes in equity

Notes to the parent company financial statements

Amounts in USD million

Income statement

Note		2018	2017
1	Revenue	55	70
2	Operating costs	191	225
	Other costs	11	18
	Profit/loss before depreciation, amortisation and impairment losses, etc.	**-147**	**-173**
6,9	Depreciation, amortisation and impairment losses, net	-	1
3	Gain/loss on sale of companies and non-current assets, etc., net	8,120	-386
	Profit/loss before financial items	**7,973**	**-560**
4	Dividends	4,025	2,839
4	Financial income	1,571	1,419
4	Financial expenses	4,756	3,434
	Profit/loss before tax	**8,813**	**264**
5	Tax	85	-89
	Profit/loss for the year – continuing operations	**8,728**	**353**
9	Profit for the year – discontinued operations	2	407
	Profit/loss for the year	**8,730**	**760**
	APPROPRIATION:		
	Proposed dividend	479	503
	Retained earnings	8,251	257
		8,730	**760**
	Proposed dividend per share, DKK	**150**	**150**
	Proposed dividend per share, USD	**23**	**24**

Statement of comprehensive income

Note		2018	2017
	Profit/loss for the year	**8,730**	**760**
14	Cash flow hedges:		
	Value adjustment of hedges for the year	-105	-13
	Reclassified to income statement	41	45
5	Tax on other comprehensive income	8	-10
	Total items that have been or may be reclassified subsequently to the income statement	**-56**	**22**
15	Other equity investments (FVOCI), fair value adjustments for the year	329	112
5	Tax on other comprehensive income	-71	-
	Total items that will not be reclassified to the income statement	**258**	**112**
	Other comprehensive income, net of tax	**202**	**134**
	Total comprehensive income for the year	**8,932**	**894**

Amounts in USD million

Balance sheet at 31 December

Note	Assets	2018	2017
6	**Property, plant and equipment**	**-**	**4**
7	Investments in subsidiaries	18,753	13,385
7	Investments in associated companies	5	203
15	Interest-bearing receivables from subsidiaries, etc.	20,025	18,532
14	Derivatives	133	290
	Other receivables	8	20
	Financial non-current assets, etc.	**38,924**	**32,430**
	Total non-current assets	**38,924**	**32,434**
	Trade receivables	6	53
	Tax receivables	-	223
15	Interest-bearing receivables from subsidiaries, etc.	3,144	4,992
14	Derivatives	97	94
	Other receivables	107	117
	Other receivables from subsidiaries, etc.	251	442
	Prepayments	51	72
	Receivables, etc.	**3,656**	**5,993**
	Cash and bank balances	**1,193**	**686**
9	**Assets held for sale**	**3,935**	**6,893**
	Total current assets	**8,784**	**13,572**
	Total assets	**47,708**	**46,006**

Note	Equity & liabilities	2018	2017
10	Share capital	3,774	3,774
	Reserves	25,600	17,172
	Total equity	**29,374**	**20,946**
12	**Borrowings, non-current**	**7,573**	**11,687**
13	Provisions	75	-
14	Derivatives	244	141
8	Deferred tax	1	74
	Other non-current liabilities	**320**	**215**
	Total non-current liabilities	**7,893**	**11,902**
12	**Borrowings, current**	**1,173**	**1,705**
12	**Interest bearing debt to subsidiaries, etc.**	**8,743**	**10,583**
	Trade payables	73	67
	Tax payables	158	197
14	Derivatives	155	165
	Other payables	110	413
	Other payables to subsidiaries, etc.	18	25
	Deferred income	6	3
	Other current liabilities	**520**	**870**
9	**Liabilities associated with assets held for sale**	**5**	**-**
	Total current liabilities	**10,441**	**13,158**
	Total liabilities	**18,334**	**25,060**
	Total equity and liabilities	**47,708**	**46,006**

Amounts in USD million

Cash flow statement

Note		2018	2017
	Profit/loss before financial items	7,973	-560
6,9	Depreciation, amortisation and impairment losses, net	-	1
3	Loss/gain on sale of companies and non-current assets, etc., net	-8,120	386
19	Change in working capital	-16	-31
	Other non-cash items	11	-80
	Cash from operating activities before tax	-152	-284
	Taxes paid	-38	158
	Cash flow from operating activities	**-190**	**-126**
	Purchase of property, plant and equipment	-	-5
	Acquisition of and capital increases in subsidiaries and activities	-85	-23
	Sale of subsidiaries and associates	2,705	1,397
	Dividends received	1,664	539
	Other financial investments	-	872
	Cash flow used for investing activities	**4,284**	**2,780**
	Repayment of borrowings	-6,367	-1,630
	Proceeds from borrowings	2,027	3,318
	Financial income received	1,204	624
	Financial expenses paid	-514	-739
	Sale of own shares	-	14
	Dividends distributed	-517	-454
	Movements in interest-bearing loans to/from subsidiaries, etc., net	584	-5,252
	Cash flow from financing activities	**-3,583**	**-4,119**
	Net cash flow from continuing operations	**511**	**-1,465**
9	Net cash flow from discontinued operations	-	-
	Net cash flow for the year	**511**	**-1,465**
	Cash and cash equivalents 1 January	682	2,013
	Currency translation effect on cash and cash equivalents	-46	134
	Cash and cash equivalents 31 December	**1,147**	**682**

Note		2018	2017
	CASH AND CASH EQUIVALENTS		
	Cash and bank balances	1,193	686
	Overdrafts	46	4
	Cash and cash equivalents 31 December	**1,147**	**682**

As of 2018, the Company has changed the presentation of financial items in the cash flow statement. Comparative figures have been restated (please refer to note 21).

Statement of changes in equity

		Share capital	Reserve for other equity investments	Reserve for hedges	Retained earnings	Total
	Equity 1 January 2017	3,774	-235		16,963	20,502
	Other comprehensive income, net of tax	-	112	22	-	134
	Profit/loss for the year	-	-	-	760	760
	Total comprehensive income for the year	**-**	**112**	**22**	**760**	**894**
	Dividends to shareholders	-	-	-	-454	-454
11	Value of share-based payments	-	-	-	-10	-10
10	Sale of own shares	-	-	-	14	14
15	Transfer of loss on disposal of equity investments at FVOCI to retained earnings	-	123	-	-123	-
	Total transactions with shareholders	**-**	**123**	**-**	**-573**	**-450**
	Equity 31 December 2017	**3,774**	**-**	**22**	**17,150**	**20,946**
	2018					
	Other comprehensive income, net of tax	-	258	-56	-	202
	Profit/loss for the year	-	-	-	8,730	8,730
	Total comprehensive income for the year	**-**	**258**	**-56**	**8,730**	**8,932**
	Dividends to shareholders	-	-	-	-517	-517
11	Value of share-based payments	-	-	-	13	13
10	Sale of own shares	-	-	-	-	-
15	Transfer of gain on disposal of equity investments at FVOCI to retained earnings	-	-258	-	258	-
	Total transactions with shareholders	**-**	**-258**	**-**	**-246**	**-504**
	Equity 31 December 2018	**3,774**	**-**	**-34**	**25,634**	**29,374**

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Parent company financial statements
Activities comprise other shipping. Also, holding of shares in subsidiaries and associated companies, as well as funding, procurement and cash management are included in the parent company's activities.

The subsidiary Mærsk Olie og Gas A/S was disposed in Q1 2018 after being classified as asset held for sale in 2017.

In the parent company financial statements, shares in subsidiaries and associated companies are recognised at cost, cf. note 21, less impairment losses, and in the income statement, dividends from subsidiaries and associated companies are recognised as income.

The net result for the year was a profit of USD 8.7bn (USD 0.8bn). Especially gain on sale of companies increased considerably compared to 2017, but also a raise in dividends from subsidiaries contributed. Impairment losses on mainly assets held for sale increased financial expenses.

Cash flow from operating activities was negative of USD 0.2bn (negative of USD 0.1bn). Total assets amounted to USD 47.7bn (USD 46.0bn) and equity totalled USD 29.4bn (USD 20.9bn) at 31 December 2018.

Amounts in USD million

Note 1

Revenue

	2018	2017
Revenue from vessels	44	55
Other revenue	11	15
Total revenue	**55**	**70**

Note 2

Operating costs

	2018	2017
Rent and lease costs	47	67
Staff costs reimbursed to Rederiet A.P. Møller A/S[1]	114	108
Other	30	50
Total operating costs	**191**	**225**
Average number of employees directly employed by the company	2	2

[1] Wages and salaries of USD 106m (USD 100m), pension plan contributions of USD 8m (USD 8m), other social security costs of USD 0m (USD 0m) less capitalised staff costs etc. of USD 0m (USD 0m).

The company's share of fees and remuneration to the Executive Board	2018	2017
Fixed base salary	5	5
Short-term cash incentive	2	1
Long-term share-based incentive plans	-	1
Remuneration in connection with redundancy, resignation and release from duty to work	2	-
Total remuneration to the Executive Board	**9**	**7**

Contract of employment for the Executive Board members contains terms customary in Danish listed companies, including termination notice and competition clauses. In connection with a possible takeover offer, neither the Executive Board nor the Board of Directors will receive special remuneration. Fees and remuneration do not include pension.

The Board of Directors has received fees of USD 3m (USD 3m).

Amounts in USD million

Note 2 — continued

Operating costs

Fees to the statutory auditors of A.P. Møller - Mærsk A/S	2018	2017
PRICEWATERHOUSECOOPERS STATSAUTORISERET REVISIONSPARTNERSELSKAB		
Statutory audit	1	1
Other assurance services	-	-
Tax and VAT advisory services	-	0
Other services	1	2
Total fees	**2**	**3**

Fees for other services than statutory audit of the financial statements provided by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab to A.P. Møller - Mærsk A/S mainly consist of audit of non-statutory financial statements, financial due diligence and transaction advice, accounting advisory services, tax advice and other services related to separating discontinued operations, review of the interim report and other advisory accounting and tax services.

Note 3

Gain on sale of companies and non-current assets, etc., net

	2018	2017
Gains	8,120	67
Losses	-	453
Gain/loss on sale of companies and non-current assets, etc., net	**8,120**	**-386**

Gains relate to the sale of the subsidiary Mærsk Olie og Gas A/S to Total S.A., as described in note 9 to the consolidated financial statements. The gain for the company is calculated as the difference between cost price and consideration received in Total S.A. shares together with locked box interest and pre-closing dividend linked to the sale. Cash flow impact was USD 2.7bn, mainly related to the pre-closing dividend.

The 2017 gain was the sale of shares in Egyptian Drilling Company SAE and the loss related to the sale of Maersk Tankers A/S shares.

Amounts in USD million

Note 4

Financial income and expenses

	2018	2017
Interest expenses on liabilities	717	548
Interest income on loans and receivables	1,226	594
Fair value adjustment transferred from equity hedge reserve (loss)	61	46
Fair value adjustment on issued bonds attributable to interest rate risk (gain)	15	33
Net interest income	**463**	**33**
Exchange rate gains on bank balances, borrowings and working capital	252	351
Exchange rate losses on bank balances, borrowings and working capital	283	632
Net foreign exchange losses/gains	**-31**	**-281**
Fair value gains from derivatives	24	336
Fair value losses from derivatives	18	36
Net fair value gains/losses	**6**	**300**
Dividends received from subsidiaries and associated companies, net[1]	3,879	2,835
Dividends received from other equity investments	146	4
Total dividend income	**4,025**	**2,839**
Reversal of impairment losses, investments in subsidiaries and associated companies[2]	31	105
Impairment losses, investments in subsidiaries and associated companies[3]	3,431	2,172
Reversal of write-down of loans	23	-
Write-down of loan receivables from subsidiaries[4]	246	-
Financial income/expenses, net[5]	**840**	**824**
OF WHICH:		
Dividends	4,025	2,839
Financial income	1,571	1,419
Financial expenses	4,756	3,434

Dividends

[1] Some of the companies have paid dividend during 2018. Dividends received in 2018 are predominantly from Maersk Drilling Holding A/S of USD 3.3bn and Maersk Oil Trading and Investments A/S of USD 0.4bn. Net dividends and impairments for Maersk Drilling Holding A/S amount to USD 1.1bn and to USD 0.1bn for Maersk Oil Trading and Investments A/S.

Reversal of impairment losses

[2] Reversal of impairment losses relates to A.P. Moller Finance SA (in 2017 Maersk Container Industry A/S, Maersk Aviation Holding A/S and Maersk FPSOs A/S).

Impairment losses and fair value adjustments

[3] Impairment losses to recoverable amount relate mostly to fair value adjustment of Maersk Drilling Holding A/S (USD 2.2bn based on fair value less cost to sell) and Maersk Supply Service A/S of USD 0.4bn (based on fair value less cost to sell), both classified as assets held for sale. Reference is made to the consolidated financial statements note 24, Valuation of discontinued operations. Furthermore, Maersk Oil Trading and Investments A/S of USD 0.3bn and Maersk Container Industry A/S of USD 0.2bn (in 2017 Maersk Drilling Holding A/S, Maersk Supply Service A/S and A.P. Moller Finance SA).

Write-down of loan receivables

[4] Loan receivables from Maersk Supply Service A/S and Maersk Container Industry A/S have been written down to recoverable amount.

[5] Of which USD 45m relates to loss on prepayment of issued bonds and USD 30m net of swaps, etc.

Reference is made to note 14 for an analysis of gains and losses from derivatives.

Refer to note 22 for significant accounting estimates.

Amounts in USD million

Note 5

Tax

	2018	2017
TAX RECOGNISED IN THE INCOME STATEMENT		
Current tax on profit for the year	115	-54
Adjustment of tax provision	-	-5
Adjustment for current tax of prior periods	-26	-63
Withholding taxes	69	11
Total current tax	**158**	**-111**
Origination and reversal of temporary differences	-56	15
Adjustment for deferred tax of prior periods	-17	7
Total deferred tax	**-73**	**22**
Total tax expense	**85**	**-89**
TAX RECONCILIATION:		
Profit/loss before tax	8,813	264
Tax using the Danish corporation tax rate (2018: 22%, 2017: 22%)	1,939	58
Tax rate deviations in foreign jurisdictions	12	-
Non-deductible expenses	20	15
Gains related to shares, dividends, etc.	-1,846	-80
Adjustment to previous years' taxes	-43	-70
Adjustment of tax provision	-	-5
Other differences, net	3	-7
Total income tax	**85**	**-89**
Tax recognised in other comprehensive income and equity	**63**	**-10**
OF WHICH:		
Current tax	63	-10

Note 6

Property, plant and equipment

	Production facilities and equipment, etc.	Rigs	Construction work in progress and payment on account	Total
COST				
1 January 2017	6,770	976	112	7,858
Addition	-	-	64	64
Disposal	6,879	976	62	7,917
Transfer	114	-	-114	-
31 December 2017	**5**	**-**	**-**	**5**
Transfer, assets held for sale	5	-	-	5
31 December 2018	**-**	**-**	**-**	**-**
DEPRECIATION AND IMPAIRMENT LOSSES				
1 January 2017	5,634	619	-	6,253
Depreciation	159	16	-	175
Reversal of impairment losses	235	-	-	235
Disposal	5,557	635		6,192
31 December 2017	**1**	**-**	**-**	**1**
Transfer, assets held for sale	1	-	-	1
31 December 2018	**-**	**-**	**-**	**-**
CARRYING AMOUNT:				
31 December 2017	**4**	**-**	**-**	**4**
31 December 2018	**-**	**-**	**-**	**-**

Pledges

Vessels, rigs and containers, etc., owned by subsidiaries with a carrying amount of USD 1.6bn (USD 1.5bn) have been pledged as security for loans of USD 0.5bn (USD 0.7bn).

Amounts in USD million

Note 7

Investments in subsidiaries and associated companies

	Investments in subsidiaries 2018	Investments in associated companies 2018
COST		
1 January 2017	34,905	799
Addition[1]	846	-
Return of capital	8,000	-
Disposal	2,483	4
Transfer, assets held for sale[4]	9,926	-
31 December 2017	**15,342**	**795**
Addition[2]	5,990	24
Disposal	27	-
31 December 2018	**21,305**	**819**
IMPAIRMENT LOSSES		
1 January 2017	4,409	592
Impairment losses[3]	2,172	-
Disposal	1,496	-
Reversal of impairment losses	105	-
Transfer, assets held for sale[4]	3,023	-
31 December 2017	**1,957**	**592**
Impairment losses[3]	626	222
Reversal of impairment losses	31	-
31 December 2018	**2,552**	**814**
CARRYING AMOUNT:		
31 December 2017	**13,385**	**203**
31 December 2018	**18,753**	**5**

[1] Additions in 2017 were non-cash capital increase in Maersk Drilling Holding A/S of USD 0.3bn and Mærsk Olie og Gas A/S USD of 0.5bn. Maersk A/S (in 2018 renamed Maersk Oil Trading and Investments A/S) returned USD 8bn in a non-cash transaction.

[2] Addition in 2018 is mainly capital increase in Maersk Oil Trading and Investments A/S of USD 5.9bn by non-cash transfer of shares in Total S.A.

[3] Impairments are recognised when carrying amount exceeds recoverable amount as described in note 4, 21 and 22.

[4] All shares in companies related to energy business were in 2017 transferred to assets held for sale.

Reference is made to pages 152-154 for a list of significant subsidiaries and associated companies.

Amounts in USD million

Note 8

Deferred tax

Recognised deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net liabilities	
	2018	2017	**2018**	2017	**2018**	2017
Liabilities, etc.	-	-	1	74	1	74
Total	**-**	**-**	**1**	**74**	**1**	**74**

Change in deferred tax, net during the year	**2018**	2017
1 January	74	-2
Disposal	-	54
Recognised in the income statement[1]	-73	22
31 December	**1**	**74**

[1] Relating to continued operations.

There are no unrecognised deferred tax assets.

There are no significant unrecognised tax liabilities on investments in subsidiaries, associated companies and joint ventures.

Note 9

Discontinued operations and assets held for sale

The parent company transferred the oil and gas activities in the Danish sector of the North Sea and four drilling rigs to fully-owned subsidiaries in 2017. As a result, these activities have been reclassified as discontinued operations. The reclassification reflects the ongoing process on separation of the energy-related businesses from A.P. Moller - Maersk. The activities were transferred at carrying value of the net assets, hence the transfers did not result in any gains/losses.

Shares in the subsidiaries Maersk Drilling Holding A/S and Maersk Supply Service A/S are furthermore presented as assets held for sale, measured at fair value less cost to sell. Reference is made to note 24 in the consolidated financial statements regarding "valuation of discontinued operations".

Shares in Mærsk Olie og Gas A/S were sold to Total S.A. in 2018, cf. note 3.

	2018	2017
PROFIT FOR THE YEAR – DISCONTINUED OPERATIONS		
Revenue	-	867
Expenses	-	317
Depreciation, amortisation and impairment losses, net	-	-60
Financial items, net	4	-25
Profit/loss before tax, etc.	**4**	**585**
Tax[1]	2	178
Profit/loss for the year – discontinued operations	**2**	**407**
CASH FLOWS FROM DISCONTINUED OPERATIONS FOR THE YEAR		
Cash flow from operating activities	-6	254
Cash flow used for investing activities	-26	-60
Cash flow from financing activities	32	-194
Net cash flow from discontinued operations	**-**	**-**
BALANCE SHEET ITEMS COMPRISE:		
Non-current assets	3,935	6,893
Assets held for sale	**3,935**	**6,893**
Provisions	3	-
Other liabilities	2	-
Liabilities associated with assets held for sale	**5**	**-**

[1] The tax relates to the profit from the ordinary activities of discontinued operations.

Amounts in USD million

Note 10

Share capital

Development in the number of shares:

	DKK 1,000	A shares of DKK 500	DKK 1,000	B shares of DKK 500	DKK million	Nominal value USD million
1 January 2017	10,756,221	314	10,060,392	184	20,817	3,774
Conversion	41	-82	6	-12	-	-
31 December 2017	**10,756,262**	**232**	**10,060,398**	**172**	**20,817**	**3,774**
31 December 2018	**10,756,262**	**232**	**10,060,398**	**172**	**20,817**	**3,774**

All shares are fully issued and paid up.

One A share of DKK 1,000 holds two votes. B shares have no voting rights.

Shareholder disclosure subject to section 104 of the Danish Financial Statements Act:

	Share capital	Votes
A.P. Møller Holding A/S, Copenhagen, Denmark	41.51%	51.45%
A.P. Møller og Hustru Chastine Mc-Kinney Møllers Familiefond, Copenhagen, Denmark	8.84%	13.12%
Den A.P. Møllerske Støttefond, Copenhagen, Denmark	3.11%	5.99%

Note 10 in the consolidated financial statements includes rules for changing the share capital, and information regarding the authorisation of the Board of Directors to acquire own shares as well as the total number of own shares held by the Group.

Development in the holding of own shares:

Own shares	No. of shares of DKK 1,000 2018	2017	Nominal value DKK million 2018	2017	% of share capital 2018	2017
B SHARES						
1 January	60,839	77,642	61	78	0.29%	0.37%
Disposal	5,324	16,803	5	17	0.02%	0.08%
31 December	**55,515**	**60,839**	**56**	**61**	**0.27%**	**0.29%**

The company did not hold any A shares in 2017 and 2018.

Disposals of own shares relate to the share option programme.

Note 11

Share-based payment

EQUITY-SETTLED INCENTIVE PLANS (EXCLUDING SHARE OPTIONS PLAN)
A.P. Moller - Maersk has two different equity-settled incentive plans. The restricted shares plan was introduced in 2013 and grants have been awarded to employees on a yearly basis since 2013. Beginning in 2018, grants have also been awarded to members of the Executive Board. In 2014, the Group established a three-year performance shares plan for members of the Executive Board and other employees. The performance shares plan lapsed in 2017.

The transfer of restricted shares is contingent upon the employee still being employed and not being under notice of termination and takes place when three years have passed from the time of granting. For members of the Executive Board, the vesting period is five years.

The members of the Executive Board as well as other employees are not entitled to any dividends during the vesting period. Special conditions apply regarding illness, death and resignation as well as changes in the company's capital structure, etc. A.P. Møller - Mærsk A/S' holding of own B shares will be used to meet the company's obligations in connection with the restricted shares plan.

Outstanding awards under equity-settled incentive plans (excl. share option plans)	Restricted shares plan Employees[1] No.	Restricted shares plan Members of the Executive Board[1] No.	Performance shares plan Employees[1] No.	Total fair value[1] USD million
1 January 2017	15,067	-	843	
Granted	5,024	-	66	8
Exercised	4,591	-	842	
Adjustment[2]	-	-	-67	
Forfeited	968	-	-	
Outstanding 31 December 2017	**14,532**	**-**	**-**	
Granted	4,241	1,002	-	8
Exercised	5,324	-	-	
Forfeited	663	-	-	
Outstanding 31 December 2018	**12,786**	**1,002**	**-**	

[1] At the time of grant.
[2] Primarily due to changes in the degree of certain financial goals being achieved.

Amounts in USD million

Note 11 — continued

Share-based payment

The fair value of restricted shares (A.P. Møller - Mærsk A/S B shares) granted to 105 (132) employees and five members of the Executive Board was USD 8m (USD 8m) at the time of grant. The total value of granted restricted shares recognised in the income statement is USD 1m (USD 1m).

The fair value per restricted share at the time of grant was DKK 9,273 (DKK 11,550), which is equal to the volume-weighted average share price on the date of grant, i.e. 1 April 2018.

On 1 April 2018, the restricted shares originally granted in 2015 were settled with the employees. The weighted average share price at that date was DKK 9,273.

The average remaining contractual life for the restricted shares as per 31 December 2018 is 1.4 years (1.3 years).

CASH-SETTLED INCENTIVE PLAN

In 2015, A.P. Moller - Maersk introduced the performance shares plan to a broader range of employees. The actual settlement of the awards is contingent upon the degree of certain financial goals being achieved, the employee still being employed and not being under notice of termination at the date of settlement. This means that the number of awards that eventually will vest may be adjusted during the vesting period. Depending on the agreement, the settlement will take place two or three years after the initial granting and the employee may have the option to settle the awards in shares.

The employees are not entitled to any dividend during the vesting period. Special conditions apply regarding illness, death and resignation as well as changes in the company's capital structure, etc.

Outstanding awards under cash-settled performance share plan	**Employees** No.	**Total fair value**[1] USD million	**Carrying amount of liabilities** USD million
1 January 2017	-		
Granted	780		
Adjustment[2]	-780		
Outstanding 31 December 2017	**-**		**-**
Outstanding 31 December 2018	**-**		**-**

[1] At the time of grant.
[2] Due to changes in the degree of certain financial goals being achieved.

The fair value of awards granted to 0 (42) employees was USD 0m (USD 0m) at the time of grant. The total value of the awards recognised in the income statement is USD 0m (USD 0m).

The average remaining contractual life for the cash-settled incentive plan as per 31 December 2018 is 0 years (0.3 years).

SHARE OPTIONS PLAN

In addition to the plans described above, A.P. Moller - Maersk has share option plans for members of the Executive Board and other employees. Each share option granted is a call option to buy an existing B share of nominal DKK 1,000 in A.P. Møller - Mærsk A/S.

The share options were granted at an exercise price corresponding to 110% of the average of the market price on the first five trading days following the release of A.P. Møller - Mærsk A/S' Annual Report. Exercise of the share options is contingent on the option holder still being employed at the time of exercise. The share options can be exercised when at least two years (three years for share options granted to Executive Board members) and no more than seven years (six years for share options granted to employees not members of the Executive Board) have passed from the time of granting. Special conditions apply regarding illness, death and resignation as well as changes in the company's capital structure, etc.

Amounts in USD million

Note 11 — continued

Share-based payment

Outstanding share options[1]	Members of the Executive Board[1] No.	Employees[1] No.	Total No.	Average exercise price DKK	Total fair value[1] USD million
1 January 2017	3,840	7,635	11,475	8,298	
Granted	4,928	20,839	25,767	12,791	8
Exercised	3,840	7,530	11,370	8,298	
Expired	-	105	105	8,298	
Forfeited	-	237	237	12,791	
Outstanding 31 December 2017	**4,928**	**20,602**	**25,530**	**12,791**	
Exercisable 31 December 2017	**-**	**-**	**-**	**-**	
Granted	6,230	18,137	24,367	11,537	7
Forfeited	1,173	2,032	3,205	12,507	
Outstanding 31 December 2018	**9,985**	**36,707**	**46,692**	**12,156**	
Exercisable 31 December 2018	**-**	**-**	**-**	**-**	

[1] At the time of grant.

The share options can only be settled in shares. A.P. Møller - Mærsk A/S' holding of own B shares will be used to meet the company's obligations in respect of the share option plans.

The fair value of awards granted to three members of the Executive Board and 80 (79) employees was USD 7m (USD 8m) at the time of grant. The total value of granted share options recognised in the income statement is USD 1m (USD 1m).

The weighted average share price at the dates of exercise of share options in 2017 was DKK 11,778. No share options were exercised during 2018.

The average remaining contractual life as per 31 December 2018 is 5.5 years (6.1 years) and the exercise price for outstanding share options is DKK 12,156 (DKK 12,791).

The fair value per option granted to members of the Executive Board is calculated at DKK 1,712 (DKK 2,130) at the time of grant based on Black & Scholes' option pricing model. The fair value per option granted in 2017 to employees not members of the Executive Board is calculated at DKK 1,875 (DKK 2,281) at the time of grant based on the same option pricing model.

The following principal assumptions are used in the valuation:

	Share options granted to members of the Executive Board **2018**	Share options granted to employees not members of the Executive Board **2018**	Share options granted to members of the Executive Board 2017	Share options granted to employees not members of the Executive Board 2017
Share price, volume-weighted average at the date of grant, 1 April, DKK	9,273	9,273	11,550	11,550
Share price, five days volume-weighted average after publication of Annual Report, DKK	10,476	10,476	11,628	11,628
Exercise price, DKK	11,524	11,524	12,791	12,791
Expected volatility (based on historic volatility)	33%	33%	31%	31%
Expected term	5.00	5.75	5.00	5.75
Expected dividend per share, DKK	150	150	300	300
Risk-free interest rate	0.21%	0.29%	-0.12%	0.01%

Amounts in USD million

Note 12

Borrowings and net debt reconciliation

	Net debt as at 31 December 2017	Cash flow[1]	Foreign exchange movements	Other changes Other[2]	Net debt as at 31 December 2018
Bank and other credit institutions	5,588	-2,040	-1	-174	3,373
Issued bonds	7,804	-2,258	-238	65	5,373
Subsidiaries, etc., net	-12,941	584	229	-2,298	-14,426
Total borrowings, net	**451**	**-3,714**	**-10**	**-2,407**	**-5,680**
Derivatives hedge of borrowings, net	**-110**	**-2**	**238**	**46**	**172**
BORROWINGS CLASSIFICATION:					
Classified as non-current	11,687				7,573
Classified as current	12,288				9,916

[1] Cash flow includes prepayments of USD 6.1bn whereof USD 5.2bn relates to prepayments made during Q4 2018.

	Net debt as at 31 December 2016	Cash flow	Foreign exchange movements	Other changes Other[2]	Net debt as at 31 December 2017
Bank and other credit institutions	3,064	2,522	2	-	5,588
Issued bonds	8,097	-872	603	-24	7,804
Subsidiaries, etc., net	1,978	-5,252	-179	-9,488	-12,941
Total borrowings, net	**13,139**	**-3,602**	**426**	**-9,512**	**451**
Derivatives hedge of borrowings, net	**719**	**-224**	**-603**	**-2**	**-110**
BORROWINGS CLASSIFICATION:					
Classified as non-current	9,772				11,687
Classified as current	15,557				12,288

[2] Non-cash dividends, capital increases, etc.

Note 13

Provisions

	Other	Total
1 January 2018	-	-
Provision made	75	75
31 December 2018	**75**	**75**

Other includes provisions for unsettled claims and legal disputes, etc.

Amounts in USD million

Note 14

Derivatives

Hedges comprise primarily currency derivatives and interest rate derivatives. Foreign exchange forwards and option contracts are used to hedge the currency risk related to recognised and unrecognised transactions. Interest rate swaps are used to hedge interest rate exposure on borrowings.

	2018	2017
Non-current receivables	133	290
Current receivables	97	94
Non-current liabilities	244	141
Current liabilities	155	165
Assets/liabilities, net	**-169**	**78**

The fair value of derivatives held at the balance sheet date can be allocated by type as follows:

	Fair value, asset	**Fair value, liability**	**Nominal amount of derivative**	**Fair value, asset**	**Fair value, liability**	**Nominal amount of derivative**
	2018	**2018**	**2018**	2017	2017	2017
HEDGE OF BORROWINGS						
Cross-currency swaps						
EUR	97	141	2,697	240	16	3,515
GBP	-	74	380	2	37	437
JPY	10	12	204	7	14	200
SEK	-	-	-	-	68	305
NOK	-	52	596	6	10	634
Interest rate swaps						
Fair value hedges	-	15	500	-	6	500
Total	**107**	**294**		**255**	**151**	

		Fair value
	2018	2017
HELD FOR TRADING		
Currency derivatives	-3	-25
Interest derivatives	21	-1
Total	**18**	**-26**

The hedges are expected to be highly effective due to the nature of the economic relation between the exposure and the hedge. The source of ineffectiveness is the credit risk of the hedging instruments. For hedges where cost of hedging is applied, the forward points and change in basis spread are recognised in other comprehensive income and transferred with the effective hedge when the hedged transaction occurs. Cost of hedging reserve amounts to USD 1m (USD 6m).

For information about risk management strategy, currencies, maturities, etc. reference is made to note 16.

HEDGE OF BORROWINGS
Cross-currency swaps are used to swap all non-USD issued bonds. Fixed to floating rate swaps are designated as a combination of fair value and cash flow hedges. The principal amounts in USD equivalents hereof are: EUR 1,723m (EUR 1,835m), GBP 89m (GBP 95m), JPY 204m (JPY 200m) and NOK 252m (NOK 268m). The remaining swaps are fixed-to-fixed rate or floating-to-fixed rate swaps and are designated as cash flow hedges of currency and interest risk.

The hedge ratio is 1:1. The maturity of the hedge instrument 0-5 years in USD equivalents are: EUR 1,746m (EUR 3,419m), JPY 91m (JPY 89m) and NOK 344m (NOK 244m). 5-10 years: EUR 859m (EUR 0m), GBP 380m (GBP 405m), JPY 113m (JPY 111m) and NOK 252m (NOK 390m). Above 10 years: EUR 92m (EUR 96m).

Cross-currency swaps are designated as a combination of hedge of principal cash flows and hedge of interests at a weighted average interest rate of 4.5% (3.7%).

Interest rate swaps are all denominated in USD and pays floating interest. The hedge ratio is 1:1 and the weighted average interest rate excluding margin on loan is 2.8% (3.4%). The maturity of the interest rate swaps 5-10 years USD 500m (USD 500m).

For cash flow hedges related to borrowings, loss of USD 64m (gain of USD 32m) is recognised at other comprehensive income and the cash flow hedges reserve is loss of USD 33m (gain of USD 32m) excluding tax effect. Reference is made to other comprehensive income.

The carrying amount of the borrowings in fair value hedge relation is USD 2,768m (USD 3,069m) and the accumulated fair value adjustment of the loans is loss of USD 13m (loss of USD 28m). The loss on the hedging instrument in fair value hedges recognised in the income statement for the year amounts to USD 15m (loss of USD 33m) and the gain on hedged item amounts to USD 15m (gain USD 33m).

Due to bond buy-back in 2018, the ineffectiveness from cash flow hedges is recognised in profit or loss at USD 20m in 2018.

Amounts in USD million

Note 14 — continued

Derivatives

OTHER ECONOMIC HEDGES (NO HEDGE ACCOUNTING APPLIED)
Furthermore, the company enters into derivatives to hedge economic risks that are not accounted for as hedging. These derivatives are accounted for as held for trading.

The gains/losses, including realised transactions, are recognised as follows:

	2018	2017
Hedging foreign exchange risk on operating costs	-	1
Hedging interest rate risk	-61	-46
Total effective hedging	**-61**	**-45**
Ineffectiveness recognised in financial expenses	20	-
Total reclassified from equity reserve for hedges	**-41**	**-45**
DERIVATIVES ACCOUNTED FOR AS HELD FOR TRADING:		
Currency derivatives recognised directly in financial income/expenses	-10	336
Interest rate derivatives recognised directly in financial income/expenses	-4	-36
Net gains/losses recognised directly in the income statement	**-14**	**300**
Total	**-55**	**255**

Note 15

Financial instruments by category

	Carrying amount 2018	Fair value 2018	Carrying amount 2017	Fair value 2017
CARRIED AT AMORTISED COST				
Interest-bearing receivables from subsidiaries, etc.	23,169	23,176	23,524	23,524
Finance lease receivables	8	8	10	10
Other interest-bearing receivables and deposits	-	-	1	1
Total interest-bearing receivables	**23,177**	**23,184**	**23,535**	**23,535**
Trade receivables	6		53	
Other receivables (non-interest-bearing)	107		116	
Other receivables from subsidiaries, etc.	251		442	
Cash and bank balances	1,193		686	
Financial assets at amortised cost	**24,734**		**24,832**	
Derivatives	230	230	384	384
Contingent considerations	-	-	10	10
Other financial assets	**230**	**230**	**394**	**394**
Total financial assets	**24,964**		**25,226**	
CARRIED AT AMORTISED COST				
Bank and other credit institutions	3,373	3,414	5,588	5,750
Issued bonds	5,373	5,394	7,804	8,020
Interest-bearing loans from subsidiaries etc.	8,743	8,743	10,583	10,583
Total borrowings	**17,489**	**17,551**	**23,975**	**24,353**
Trade payables	73		67	
Other payables	110		413	
Other payables to subsidiaries and associated companies, etc.	18		25	
Financial liabilities at amortised cost	**17,690**		**24,480**	
CARRIED AT FAIR VALUE				
Derivatives	399	399	306	306
Financial liabilities at fair value	**399**	**399**	**306**	**306**
Total financial liabilities	**18,089**		**24,786**	

EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
After disposal of the remaining 19% share in Dansk Supermarked Group in 2017, the company holds no material equity investments at fair value through other comprehensive income (FVOCI).

With the sale of Mærsk Olie og Gas A/S to Total S.A., the company received 97.5m shares in Total S.A. equivalent to an ownership interest of 3.7%. The market value of the Total S.A. shares was USD 5.6bn on closing 8 March 2018. In June 2018, the shares were transferred in a non-cash transaction to the subsidiary Maersk Oil Trading and Investments A/S. Market value on the transfer date was USD 5.9bn and the gain for the company is included in other comprehensive income. Dividends recognised during the ownership period amount to USD 146m.

Amounts in USD million

Note 15 — continued

Financial instruments by category

Movement during the year in level 3	Non-listed shares Equity Investments (FVOCI)	Non-listed shares Held for trading	Contingent consideration	Total financial assets
Carrying amount 1 January 2017	759	1	-	760
Addition	-	-	28	28
Disposal	871	1	-	872
Gains/losses recognised in the income statement		-	-18	-18
Gains recognised in other comprehensive income	112	-	-	112
Carrying amount 31 December 2017	**-**	**-**	**10**	**10**
Gains/losses recognised in the income statement			-10	-10
Carrying amount 31 December 2018	**-**	**-**	**-**	**-**

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE
Financial instruments measured at fair value can be divided into three levels:
Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 — Inputs other than quoted prices included within level 1 that are observable for the asset or liability; either directly (i.e. as prices) or indirectly (i.e. derived from prices);
Level 3 — Inputs for the asset or liability that are not based on observable market data.

Fair value of listed shares falls within level 1 of the fair value hierarchy. Non-listed shares and other securities fall within level 3 of the fair value hierarchy.

Fair value of derivatives falls mainly within level 2 of the fair value hierarchy and is calculated based on observable market data as of the end of the reporting period.

Fair value of level 3 assets and liabilities is primarily based on the present value of expected future cash flows. A reasonably possible change in the discount rate is not estimated to affect the company's profit or equity significantly.

FINANCIAL INSTRUMENTS CARRIED AT AMORTISED COST
Fair value of the short-term financial assets and other financial liabilities carried at amortised cost is not materially different from the carrying amount. In general, fair value is determined primarily based on the present value of expected future cash flows. Where a market price was available, however, this was deemed to be the fair value.

Fair value of listed issued bonds is within level 1 of the fair value hierarchy. Fair value of the remaining borrowing items is within level 2 of the fair value hierarchy and is calculated based on discounted interests and instalments.

Note 16

Financial risks, etc.

The company's activities expose it to a variety of financial risks: market risks, i.e. currency risk and interest rate risk, credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the company's financial performance. The company uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central finance department under policies approved by the Board of Directors. The finance department identifies, evaluates and hedges financial risks in close cooperation with the company's business units.

MARKET RISK
Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the company's profit or the value of its holdings of financial instruments. The below sensitivity analyses relate to the position of financial instruments at 31 December 2018.

The sensitivity analyses for currency risk and interest rate risk have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies remain unchanged from hedge designations in place at 31 December 2018. Furthermore, it is assumed that the exchange rate and interest rate sensitivities have a symmetric impact, i.e. an increase in rates results in the same absolute movement as a decrease in rates.

The sensitivity analyses show the effect on profit or loss and equity of a reasonably possible change in exchange rates and interest rate.

CURRENCY RISK
The company's currency risk arises primarily from its treasury activities where financing is obtained and provided in a wide range of currencies other than USD such as EUR, GBP and NOK.

The main purpose of hedging the company's currency risk is to hedge the USD value of the company's net cash flow and reduce fluctuations in the company's profit. The company uses various financial derivatives, including forwards, option contracts and cross-currency swaps, to hedge these risks. The key aspects of the currency hedging policy are as follows:

- Net cash flows in other significant currencies than USD are hedged using a layered model with a 12-month horizon;
- Significant capital commitments in other currencies than USD are hedged;
- Most non-USD debt is hedged, however, depending on asset-liability match and the currency of the generated cash flow.

An increase in the USD exchange rate of 10% against all other significant currencies to which the company is exposed is estimated to have a negative impact on the company's profit before tax of USD 0.1bn (negative impact of USD 0.1bn) and a negative impact on the company's equity, excluding tax, of USD 0.1bn (negative impact of USD 0.1bn). The sensitivities are based only on the impact of financial instruments that are outstanding at the balance sheet date, cf. note 14 and 15, and are thus not an expression of the company's total currency risk.

Amounts in USD million

Note 16 — continued

Financial risks, etc.

INTEREST RATE RISK
The company has most of its debt denominated in USD, but part of the debt (e.g. issued bonds) is in other currencies such as EUR, GBP, JPY and NOK. Some loans are at fixed interest rates, while others are at floating interest rates.

The company strives to maintain a combination of fixed and floating interest rates on its net debt, reflecting expectations and risks. The hedging of the interest rate risk is governed by a duration range and is primarily obtained with interest rate swaps.

A general increase in interest rates by one percentage point is estimated, all other things being equal, to have an effect on profit before tax and equity, excluding tax by USD 0.2bn (USD 0.0bn).

This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

		Next interest rate fixing		
Borrowings and interest-bearing debt to subsidiaries by interest rate levels inclusive of interest rate swaps	**Carrying amount**	**0-1 year**	**1-5 years**	**5- years**
2018				
0-3%	10,186	8,751	1,095	340
3-6%	7,303	4,988	1,015	1,300
Total	**17,489**	**13,739**	**2,110**	**1,640**
OF WHICH:				
Bearing fixed interest	3,756			
Bearing floating interest	13,733			
2017				
0-3%	16,759	14,620	1,636	503
3-6%	7,216	3,947	1,995	1,274
Total	**23,975**	**18,567**	**3,631**	**1,777**
OF WHICH:				
Bearing fixed interest	5,432			
Bearing floating interest	18,543			

CREDIT RISK
The company has substantial exposure to financial and commercial counterparties, but has no particular concentration of customers or suppliers. To minimise the credit risk, financial vetting is undertaken for all major customers and financial institutions, adequate security is required for commercial counterparties and credit limits are set for financial institutions and key commercial counterparties.

Financial assets at amortised cost comprise loans receivable, finance lease receivables and other receivables. These are all considered to have low credit risk and thus the impairment provision calculated basis of 12-month expected losses is considered immaterial. The financial assets are considered to be low risk when they have low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

A.P. Møller - Mærsk A/S applies the simple approach to providing the expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. In accordance with IFRS 9, also non-due trade receivables have been impaired.

Other financial assets at amortised cost include loans to subsidiaries. As of 31 December 2018, the loans amount to USD 23.2bn and are considered to have a low credit risk, thus the impairment provision to be recognised during the period is limited to 12-month expected losses. The credit risk has not increased significantly since the initial recognition and is considered low based on the investment grade credit rating for the group and consequently the financial strength of the major subsidiaries within the Group. Loans to Maersk Supply Service A/S and Maersk Container Industry A/S were in total written down with USD 0.2bn.

Maturity analysis of trade receivables incl. subsidiaries, etc.	**2018**	2017
Receivables not due	1	6
Less than 90 days overdue	5	40
More than 90 days overdue	-	7
Receivables, gross	6	53
Provision for bad debt	-	-
Carrying amount	**6**	**53**

Amounts in USD million

Note 16 — continued

Financial risks, etc.

LIQUIDITY RISK

It is of great importance for the company to maintain a financial reserve to cover the company's obligations and investment opportunities and to provide the capital necessary to offset changes in the company's liquidity due to changes in the cash flow from operating activities.

The flexibility of the financial reserve is subject to ongoing prioritisation and optimisation, among other things, by focusing on release of capital and following up on the development in working capital.

Maturities of liabilities and commitments	Carrying amount	Cash flows including interest 0-1 year	1-5 years	5- years	Total
2018					
Bank and other credit institutions	3,373	707	2,439	747	3,893
Issued bonds	5,373	737	2,505	2,892	6,134
Interest-bearing loans from subsidiaries, etc.	8,743	8,761	-	-	8,761
Trade payables	73	73	-	-	73
Other payables	110	110	-	-	110
Other payables to subsidiaries, etc.	18	18	-	-	18
Non-derivative financial liabilities	**17,690**	**10,406**	**4,944**	**3,639**	**18,989**
Derivatives	399	155	40	204	399
Total recognised in balance sheet	**18,089**	**10,561**	**4,984**	**3,843**	**19,388**
Operating lease commitments		15	13	-	28
Total		**10,576**	**4,997**	**3,843**	**19,416**
2017					
Bank and other credit institutions	5,588	1,569	4,056	621	6,246
Issued bonds	7,804	508	6,034	2,216	8,758
Interest-bearing loans from subsidiaries, etc.	10,583	10,594	-	-	10,594
Trade payables	67	67	-	-	67
Other payables	413	413	-	-	413
Other payables to subsidiaries, etc.	25	25	-	-	25
Non-derivative financial liabilities	**24,480**	**13,176**	**10,090**	**2,837**	**26,103**
Derivatives	306	165	89	52	306
Total recognised in balance sheet	**24,786**	**13,341**	**10,179**	**2,889**	**26,409**
Operating lease commitments		65	43	-	108
Total		**13,406**	**10,222**	**2,889**	**26,517**

Note 17

Commitments

OPERATING LEASE COMMITMENTS

As part of the company's activities, customary agreements are entered regarding operating lease of vessels, equipment and office buildings, etc. The future charter and operating lease payments for continuing operations are:

	2018	2017
Within one year	15	65
Between one and two years	9	28
Between two and three years	4	10
Between three and four years	-	5
Between four and five years	-	-
After five years	-	-
Total	**28**	**108**
Net present value[1]	27	105

[1] The net present value has been calculated using a discount rate of 6% p.a. (6% p.a.).

About one-third of the time charter payments within shipping activities are estimated to relate to operating costs for the assets.

Total operating lease costs incurred are stated in note 2.

CAPITAL COMMITMENTS

The company has no material capital commitments at the end of 2018.

Amounts in USD million

Note 18

Contingent liabilities

As part of the divestment of Mærsk Olie og Gas A/S to Total S.A., the company has assumed a secondary liability related to the decommissioning of the offshore facilities in Denmark by issuance of a declaration. The company assesses the risk of economic outflows due to this secondary liability as very remote.

Reference is made to note 9 in the consolidated financial statements for full description.

Guarantees amount to USD 0.5bn (USD 0.8bn). Of this, USD 0.5bn (USD 0.8bn) is related to subsidiaries. The guarantees are not expected to be realised, but they can mature within one year.

Except for customary agreements within the company's activities, no material agreements have been entered that will take effect, change or expire upon changes of the control over the company.

The company is involved in a number of legal disputes. The company is also involved in tax disputes in certain countries. Some of these involve significant amounts and are subject to considerable uncertainty.

Tax may crystallise on repatriation of dividends. Through participation in joint taxation scheme with A.P. Møller Holding A/S, the company is jointly and severally liable for taxes payable, etc. in Denmark.

Note 19

Cash flow specifications

	2018	2017
CHANGE IN WORKING CAPITAL		
Trade receivables	47	6
Other receivables and prepayments	234	-71
Trade payables and other payables, etc.	-304	-5
Other working capital movements	1	15
Exchange rate adjustment of working capital	6	24
Total	**-16**	**-31**

Amounts in USD million

Note 20

Related parties

	Controlling parties[1]		Subsidiaries		Associated companies		Joint ventures		Management[2]	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
CONTINUING OPERATIONS										
Income statement										
Revenue	44	12	11	14	-	-	-	1	-	-
Operating costs	-	38	11	16	-	-	-	-	-	-
Remuneration to management	-	-	-	-	-	-	-	-	12	10
Dividends	-	-	3,879	2,835	-	-	-	-	-	-
Financial income	-	-	1,261	685	-	-	-	-	-	-
Financial expenses	-	-	402	491	-	-	-	-	-	-
Assets										
Interest-bearing receivables, non-current	-	-	20,025	18,532	-	-	-	-	-	-
Derivatives, non-current	-	-	-	31	-	-	-	-	-	-
Trade receivables	-	-	6	43	-	-	-	-	-	-
Interest-bearing receivables, current	-	-	3,144	4,992	-	-	-	-	-	-
Derivatives, current	-	-	46	18	-	-	-	-	-	-
Other receivables, current	-	29	251	442	-	-	-	-	-	-
Liabilities										
Derivatives, non-current	-	-	3	13	-	-	-	-	-	-
Interest-bearing debt, current	-	-	8,743	10,583	-	-	-	-	-	-
Trade payables	-	-	18	9	-	-	-	-	-	-
Derivatives. current	-	-	40	73	-	-	-	-	-	-
Other liabilities, current	-	-	13	25	-	-	-	-	-	-
Sale of companies, property, plant and equipment	-	1,217	-	-	-	-	-	-	-	-
Capital increases and purchase of shares	-	-	5,990	846	24	-	-	1	-	-
Capital increases, assets held for sale	-	-	360	-	-	-	-	-	-	-
Return of capital	-	-	-	8,000	-	-	-	-	-	-
Discontinued operations										
Income statement – income	-	-	-	813	-	-	-	4	-	-
Income statement – expenses	-	-	-	51	-	-	-	5	-	-

[1] A.P. Møller Holding A/S, Copenhagen, Denmark, has control over the company and prepares consolidated financial statements. A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal is the ultimate owner.
[2] The Board of Directors and the Executive Board in A.P. Møller - Mærsk A/S, A.P. Møller Holding A/S, A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal and their close relatives (including undertakings under their significant influence).

Joint usage agreement with A.P. Møller Holding A/S

With the objective of further strengthening the value of the brands, A.P. Møller - Mærsk A/S has entered into a joint usage agreement with A.P. Møller Holding A/S regarding the use of commonly used trademarks which historically have benefited both A.P. Møller - Mærsk A/S and A.P. Møller Holding A/S. A.P. Møller Holding A/S is the controlling shareholder of A.P. Møller - Mærsk A/S, and is wholly owned by A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal. The joint usage agreement establishes a framework and a branding strategy for the commonly used trademarks and a joint brand board, where the parties can cooperate regarding the use of these trademarks.

Dividends distributed are not included.

Amounts in USD million

Note 21

Significant accounting policies

The financial statements for 2018 for A.P. Møller - Mærsk A/S have been prepared on a going concern basis and in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act. The financial statements are also in accordance with IFRS as issued by the International Accounting Standards Board (IASB).

The accounting policies of the company are consistent with those applied in the financial statements 2017 except for:

- Implementation of IFRS 15, which has had no effect on the financial statements, cf. note 23 in the consolidated financial statements.
- A.P. Moller – Maersk has changed the presentation of the cash flow statement. Net financial payments are included in the cash flow from financing activities, and dividends received are included in the cash flow from investing activities. The items were previously included in cash flow from operating activities. Comparative figures have been restated. The effect of the changes on the cash flow statement are:

USD million	**2018**	2017
Cash flow from operating activities	-2,354	-424
Cash flow from investing activities	+1,664	+539
Cash flow from financing activities	+690	-115

The accounting policies are furthermore consistent with the accounting policies for the Group's financial statements (note 23 in the consolidated financial statements) with the following exceptions:

- Shares in subsidiaries and associated companies are measured at cost or a lower recoverable amount;
- Dividends from subsidiaries and associated companies are recognised as income at the time of declaration unless considered a return of capital in subsidiary;
- No segment information is disclosed;
- The value of granted share options, restricted shares and performance shares to employees in subsidiaries is expensed directly in the relevant subsidiary. At the time of the grant, the subsidiary settles the amount with A.P. Møller - Mærsk A/S and the counter posting made in equity. At the time of exercising, the proceeds are included in the company's equity.

In 2017, energy-related activities were transferred to subsidiaries as a contribution in kind. The cost of the subsidiary is measured at the carrying amount of the net assets transferred. The profit/loss and cash flow are included in 2017 for the period up to the transfer of the activities, cf. note 9.

NEW FINANCIAL REPORTING REQUIREMENTS

The following new accounting standards are relevant to the company for the years commencing from 1 January 2019.

- IFRS 16 Leases.
- IFRIC 23 Uncertain tax positions.

IFRS 16 LEASES

The new requirement in IFRS 16 to recognise a right-of-use asset and a related liability is not expected to have material impact on the amounts recognised in the company's financial statements.

The company will adopt IFRS 16 on 1 January 2019, applying the following main transitions options:

- No reassessment of lease definitions compared to existing IAS 17 and IFRIC 4
- Application of simplified approach with no restatement of comparative figures for prior periods.

IFRIC 23 UNCERTAIN TAX POSITIONS

The company follows most of the guidelines in IFRIC 23 for accounting for uncertain income tax positions and the implementation of the interpretation standard is not expected to result in a change. The policy for recognition in the balance sheet will change as the company has previously recognised uncertain tax positions under provisions, whereas from 2019 these will be recognised as current and deferred tax.

Amounts in USD million

Note 22

Significant accounting estimates and judgements

When preparing the financial statements of the company, management undertakes a number of accounting estimates and judgements to recognise, measure and classify the company's assets and liabilities.

Estimates that are material to the company's financial reporting are made on the basis of, inter alia, determination of impairment of financial non-current assets including subsidiaries and associated companies (including assets held for sale) and recognition and measurements of provisions. Reference is made to note 4, 7 and 9.

Management assesses impairment indicators for investments in subsidiaries and associated companies, and determines recoverable amount generally consistent with the assumptions described in note 6, 7 and 24 of the consolidated financial statements.

The accounting estimates and judgements are described in further detail in note 24 of the consolidated financial statements.

Note 23

Subsequent events

On 21 February 2019, the Board of Directors has decided to initiate the separation of the drilling activities through a demerger. The shares in Maersk Drilling Holding A/S (Maersk Drilling) and its subsidiaries as well as certain other assets and liabilities will be contributed to a new company with the legal name ´The Drilling Company of 1972 A/S´. The Board of Directors intends to propose the demerger for approval by the shareholders of A.P. Møller - Mærsk A/S at the Annual General Meeting on 2 April 2019.

Subject to approval at the Annual General Meeting, the shares in Maersk Drilling will be distributed to A.P. Møller - Mærsk A/S shareholders with anticipated first day of trading on 4 April 2019. The Board of Directors intends to propose a single share class structure for Maersk Drilling with the new listed shares being distributed on a pro-rata basis based on the nominal value of the shares in A.P. Møller - Mærsk A/S. Shareholders will receive one share in Maersk Drilling per nominal A.P. Møller - Mærsk A/S DKK 500 share and two shares in Maersk Drilling per nominal A.P. Møller - Mærsk A/S DKK 1,000 share.

Statement of the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the Annual Report of A.P. Møller - Mærsk A/S for 2018.

The Annual Report for 2018 of A.P. Møller - Mærsk A/S has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act, and in our opinion gives a true and fair view of A.P. Moller - Maersk's and the company's assets and liabilities and financial position at 31 December 2018 and of the results of A.P. Moller - Maersk's and the company's operations and cash flows for the financial year 2018.

In our opinion, the Directors' report includes a fair review of the development in A.P. Moller - Maersk's and the company's operations and financial conditions, the results for the year, cash flows and financial position as well as a description of the most significant risks and uncertainty factors that A.P. Moller - Maersk and the company face.

We recommend that the Annual Report be approved at the Annual General Meeting on 2 April 2019.

Copenhagen, 21 February 2019

Executive Board

Søren Skou — CEO

Claus V. Hemmingsen — Vice CEO

Carolina Dybeck Happe — CFO

Vincent Clerc

Morten Engelstoft

Søren Toft

Board of Directors

Jim Hagemann Snabe — Chairman

Ane Mærsk Mc-Kinney Uggla — Vice Chairman

Dorothee Blessing

Niels Bjørn Christiansen

Arne Karlsson

Jan Leschly

Thomas Lindegaard Madsen

Robert Routs

Jacob Andersen Sterling

Robert Mærsk Uggla

Independent Auditor's Report

To the shareholders of A.P. Møller - Mærsk A/S.

Our opinion

In our opinion, the consolidated financial statements and the parent company financial statements (pages 67-140 and 152-154) give a true and fair view of the Group's and the parent company's financial position at 31 December 2018 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January to 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited

The consolidated financial statements and parent company financial statements of A.P. Møller - Mærsk A/S for the financial year 1 January to 31 December 2018 comprise income statement and statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes, including summary of significant accounting policies for the Group as well as for the parent company. Collectively referred to as the "financial statements".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

We were first appointed auditors of A.P. Møller - Mærsk A/S on 12 April 2012 for the financial year 2012. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of seven years including the financial year 2018.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue is complex due to the volume of transactions and the extent of different revenue streams within the segments. We focused on this area, as recognition of revenue involves accounting policy decisions, including assessment of IFRS 15 "Revenue from contracts with customers", and judgements made by Management originating from different customer behavior, market conditions, terms and nature of services in the various segments. Further, the volume of transactions and extent of different revenue streams require various IT setups of revenue recognition, which are complex and introduce an inherent risk to the revenue recognition process. Reference is made to notes 1 and 23 in the consolidated financial statements.	Our audit procedures included considering the appropriateness of the revenue recognition accounting policies and assessing compliance with applicable accounting standards, including adoption of IFRS 15. We tested the relevant controls, including applicable information systems and Management's monitoring of controls, used to ensure the completeness, accuracy and timing of revenue recognised. We performed substantive procedures over invoicing and significant contracts in order to assess the accounting treatment and principles applied, and tested journal entries on revenue.

Recoverability of the carrying amount of property, plant and equipment as well as intangible assets

Key audit matter	How our audit addressed the key audit matter
The principal risk is in relation to Management's assessment of future timing and amount of cash flows, which are used to project the recoverability of the carrying amount of property, plant and equipment as well as intangible assets. Bearing in mind the generally long-lived nature of assets, the most critical assumptions are Management's view on discount rate and the long-term outlook for freight rates and volumes, bunker price as well as terminal volumes and revenue per container move. We focused on this area, as Management is required to exercise considerable judgement because of the inherent complexity in determining the discount rate, estimating future cash flows and defining appropriate cash generating units (CGUs). Reference is made to notes 6, 7 and 24 in the consolidated financial statements.	In addressing the risk, we walked through and tested the controls designed and operated relating to the assessment of the carrying value of property, plant and equipment as well as intangible assets. We considered the appropriateness of Management defined CGUs within the businesses. We also tested Management's process for identifying CGUs that required impairment testing in line with IFRS and tested that all assets requiring impairment testing were identified. We examined the methodology used by Management to assess the carrying amount of property, plant and equipment as well as intangible assets assigned to CGUs, to determine its compliance with accounting standards and consistency of application. We examined Management's impairment trigger assessments and performed detailed testing for the assets where a need for an impairment review was identified. We assessed the reasonableness of key assumptions in relation to the ongoing operation of the assets. We corroborated Management's estimate of future cash flows and challenged whether these were appropriate in light of key assumptions, such as freight and terminal rates, volume growth and capital expenditures, including assessed Management's macroeconomic assumptions. With the assistance of our valuation experts, we independently calculated the discount rate. In calculating the discount rate, the key inputs used were independently sourced from market data, and we assessed the methodology applied. We compared the discount rate used by Management to our calculated rate. We tested the mathematical accuracy of the relevant value-in-use models prepared by Management.

Estimation in respect of uncertain tax positions

Key audit matter	How our audit addressed the key audit matter
When operating in a complex multinational tax environment, and with open tax audits and inquiries with tax authorities, Management is required to exercise considerable judgement when determining the appropriate amount to provide in respect of uncertain tax positions. We focused on this area, as the amounts involved are potentially material and the valuation of tax assets and liabilities is associated with uncertainty and judgement. At 31 December 2018, provisions are recognised in respect of legal disputes etc., which among other things include tax, indirect tax and duty disputes. Reference is made to notes 8, 14, 19 and 24 in the consolidated financial statements.	We evaluated relevant procedures and controls regarding completeness of records of uncertain tax positions and Management's procedure for estimating the provision for uncertain tax positions. In understanding and evaluating Management's judgements, we considered the status of recent and current tax authority audits and enquiries, the outcome of previous claims, judgmental positions taken in tax returns and current year estimates and developments in the tax environment. In addition, we used our tax specialists where applicable, and evaluated and challenged the adequacy of Management's key assumptions and read correspondence with tax authorities to assess Management's estimates.

Statement on Directors' report

Management is responsible for Directors' report.

Our opinion on the financial statements does not cover Directors' report, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Directors' report and, in doing so, consider whether Directors' report is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Directors' report includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Directors' report is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Directors' report.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the parent company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the parent company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Group or the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our Auditor's Report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication. •

Copenhagen, 21 February 2019

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no 3377 1231

Mogens Nørgaard Mogensen
State Authorised Public Accountant
mne21404

Gert Fisker Tomczyk
State Authorised Public Accountant
mne9777

Additional information

Highlights Q4 2018
Quarterly summary
Company overview[1]
Stock exchange announcements
Definition of terms
External financial reporting for A.P. Moller - Maersk[2]

[1] Part of Financials
[2] Part of Directors' report

Highlights Q4 2018

For the continuing operations, A.P. Moller - Maersk reported a revenue of USD 10.2bn, equal to growth of 21% (9% adjusted for Hamburg Süd) compared to Q4 2017. EBITDA was USD 1.1bn (USD 844m), positively impacted by the inclusion of Hamburg Süd and growth in gateway terminals, partly offset by integration and restructuring costs in Ocean and restructuring cost in Logistics & Services, as well as cost increases in gateway terminals. Cash flow from operating activities was USD 1.4bn (USD 1.1bn), equal to a cash conversion of 121% (116%) and gross CAPEX was reduced by 37% to USD 587m.

Highlights Q4

USD million	Revenue 2018	Revenue 2017	EBITDA 2018	EBITDA 2017	CAPEX[1] 2018	CAPEX[1] 2017
Ocean	7,283	5,989	927	617	332	692
Logistics & Services	1,557	1,527	-1	33	16	25
Terminals & Towage	1,082	948	213	191	242	212
Manufacturing & Others	650	460	22	65	4	7
Unallocated activities, eliminations, etc.	-390	-484	-45	-62	-7	2
A.P. Moller - Maersk consolidated – continuing operations	**10,182**	**8,440**	**1,116**	**844**	**587**	**938**

[1] See definition on page 156.

Ocean

Revenue increased by 22% to USD 7.3bn (USD 6.0bn), driven by 12% increase in volumes to 3,353k FFE (3,007k FFE), primarily related to the inclusion of Hamburg Süd from 1 December 2017. The average freight rate increased by 9.3% to 1,913 USD/FFE (1,750 USD/FFE).

The volumes excluding Hamburg Süd decreased by 1.1%, driven by a backhaul volume reduction of 3.5%, while headhaul volumes were on par.

The decline was below the estimated market growth of around 4% due to strong Q4 2017 volumes following the cyber-attack in Q3 2017 along with a focus on improving margins in the second half of 2018, demonstrated by the freight rate development and uplift in EBITDA.

The increase in the average freight rate of 9.3% was driven by East-West trades, which increased 15%, partly supported by the pre-tariff rush seen on the transpacific trades from China to the US. North-South freight rates grew by 6.4%, while the Intra-regional trades increased by 14%. The inclusion of Hamburg Süd affected the average freight rates positively due to Hamburg Süd's different trade mix compared to Maersk Line, especially on the Intra-regional trades. The increase was also partly due to the impact of the emergency bunker surcharge. Excluding Hamburg Süd, the average freight rate increased by 7.0%. The average freight rate decreased by 0.8% compared to Q3 2018, driven by the usual seasonal fluctuations in freight rates.

Other revenue amounted to USD 938m (USD 734m), mainly driven by higher demurrage and detention.

Unit cost at fixed bunker price at 1,776 USD/FFE decreased 1.8% compared to Q3 2018. The decline was partly driven by the usual seasonality in unit costs, partly due to year-end rebates. Compared to Q4 2017, unit cost at fixed bunker increased 1.9% without adjusting for rate of exchange and development in Hamburg Süd portfolio mix effects. The increase was mainly driven by the decline in volumes excluding Hamburg Süd, and further driven by a focus on margin improvement. Schedule reliability was below the level from Q4 2017, but on a par with last quarter. Utilisation slightly declined versus Q3, but improved compared to last year. Additionally, average nominal capacity of 4,038k TEU was in line with the 4m TEU ambition.

Total unit cost at 2,001 USD/FFE (1,878 USD/FFE) was 6.5% higher than in Q4 2017. The increase was negatively impacted by a 35% increase in the average bunker price. The total bunker cost was USD 1.3bn (USD 1.0bn), of which the bunker price drove an increase of USD 347m (103 USD/FFE), while the remainder was from higher consumption due to the inclusion of Hamburg Süd. The total consumption was, however, positively impacted by a 9.5% improvement in bunker efficiency of 849 kg/FFE (939 kg/FFE).

Port moves per hour in hub terminals of 83.7 was 11% higher than in Q4 2017, and a 1.1% improvement since Q3. Operational synergies between the hub terminals and Maersk Liner Business drove the improvements along with efficiency initiatives materialising. Salalah and Maasvlakte II improved the most since Q4 2017.

EBITDA ended at USD 927m, which is an increase of 50% compared to Q4 2017. The EBITDA margin was 12.7% (10.3%), and improved 0.1 percentage point compared to Q3 2018. Profitability increased compared to the same period last year, despite an increase of the unit cost at fixed bunker, partly on the back of the margin focus in Q3 and Q4 2018.

Hamburg Süd contributed with volumes of 586k FFE and a pro forma EBITDA of USD 204m versus 148m in Q3 2018. Integration costs amounted to USD 22m in Q4 2018.

Logistics & Services

Revenue increased by USD 30m to USD 1.6bn (USD 1.5bn), mainly supported by higher volumes in intermodal and higher revenue from inland activities. Gross profit was USD 266m (USD 262m), or a gross profit margin of 17.1% (17.1%), positively impacted by growth in supply chain management, warehousing and distribution, partly offset by the timing of higher maintenance costs of USD 20m in Star Air. EBITDA was negative USD 1m (positive USD 33m), mainly due to restructuring costs of USD 20m in Damco, with an EBIT conversion ratio of negative 5.9% (positive 9.2%). Adjusted for the restructuring costs, the EBITDA margin would have been 1.2% and the EBIT conversion 1.5%, which is still highly unsatisfactory.

Supply chain management revenue totalled USD 211m (USD 212m), while gross profit increased to USD 88m (USD 81m), supported by volume growth of 7.3% to 18,434 kcbm (17,178 kcbm), positively impacted by new customer wins as well as an increase in margins to 4.8 USD/cbm (4.7 USD/cbm).

Inland activities revenue increased to USD 150m (USD 139m), mainly driven by higher volumes in Latin America and Europe. Gross profit remained unchanged at USD 65m (USD 65m).

Ocean freight forwarding revenue improved to USD 185m (USD 163m), and volumes increased 2.1% to 166k TEU (163k TEU). The increase in gross profit to USD 30m (USD 29m) was due to the improved volumes and margins, supported by prioritisation of higher margin business and the higher market prices due to preloading on China-US goods ahead of expected tariffs. Margins improved by 3.3% to 181 USD/TEU (175 USD/TEU).

Airfreight forwarding revenue decreased to USD 168m (USD 225m), with reduced volumes of 25% to 45k tonnes (60k tonnes), primarily from customer deselection but also from an overall slow-down of the airfreight market and exposure to China in the retail and lifestyle segments. Despite the decrease in revenue, gross profit remained flat at USD 18m (USD 17m), driven by margin increases to 396 USD/tonne (285 USD/tonne), due to the continuous focus on higher margin business.

Intermodal revenue increased by 4.9% to USD 644m (USD 614m) from higher volume and growth on high revenue corridors in Africa and India. The volumes increased by 3.8% to 935K FFE (900K FFE), mainly in the West Central Asia, Africa and Europe regions, partly offset by decreases in China. Gross profit increased to USD 13m (USD 5m), mainly due to focused growth in profitable markets in Africa and India.

EBIT conversion of negative 5.9% (positive 9.2%) was mainly impacted by restructuring costs of USD 20m related to the merger of the commercial organisations in Logistics & Services and Ocean.

Terminals & Towage

Revenue increased by USD 134m to USD 1.1bn (USD 948m) and EBITDA to USD 214m (USD 191m).

Gateway terminals revenue increased by 17% to USD 921m (USD 784m), and EBITDA increased by 21% to USD 171m (USD 142m). Volume in moves grew by 15%, and gross capital expenditure (CAPEX) was reduced to USD 236m (USD 266m). Terminals under construction progressed according to plan, and Moin, Costa Rica, had its first vessel call in Q4 2018, while the divestment of the shareholding in Izmir, Turkey, announced during Q3 was completed.

Volume growth of 15% (like-for-like growth of 15%) was driven by closer collaboration with Ocean, with volumes growing 19% (like-for-like growth of 18%), while external customers grew volumes by 13% (like-for-like growth of 14%). On an equity-weighted basis, volumes grew by 13%. Revenue per move increased by 4.5% to USD 263 (USD 252). The increase was driven by increased volumes from North and Latin America with higher average rates, as well as increased storage revenues offsetting the negative rate of exchange impacts, mainly in Latin America.

Cost per move increased by 5.8% for Q4 to USD 225 (USD 213), mainly driven by higher volumes in higher cost terminals as well as by one-offs in North and Latin America, despite the increase in utilisation and favourable rate of exchange effects.

Towage revenue stable at USD 166m (USD 166m), mainly impacted by volume increases in harbour towage in the Americas and Australia and improved revenue per tug job in the Americas. However, this was offset by a negative currency impact from the Asia, Middle East and Africa regions, and price pressure and volume decrease in Europe. Revenue growth adjusted for currency development was 3.4%. Harbour towage activities measured in tug jobs increased by 5.7% compared to Q4 2017.

Overall, revenue per tug job for harbour towage was at a slightly lower level measured in USD, mainly impacted by negative currency development from activities in AUD, GBP and EUR. In Europe, intense competition from consolidation amongst towage providers and an oversupply of tugs led to lower prices in local currencies, and in Australia, the entry of a new competitor has increased the price pressure in the region.

In terminal towage, annualised EBITDA per tug dropped compared to Q4 2017, which was primarily driven by a negative currency impact. Apart from this, new contracts have started in Australia, Bangladesh and Costa Rica in 2018, and the idle fleet has been reduced, partly offsetting the decrease in EBITDA per tug.

EBITDA was USD 43m (USD 49m), mainly impacted by negative currency impact and higher maintenance and repair costs compared to Q3 2017, while revenue remained stable.

Manufacturing & Others

Revenue increased by USD 190m to USD 650m (USD 460m) with an EBITDA of USD 22m (USD 66m).

Maersk Container Industry reported revenue of USD 215m (USD 247m), with a decrease of 35% in dry containers due to a combination of lower volumes and lower sales prices as well as a cessation in the production of dry containers for the last three weeks of December. Revenue in reefer containers and services decreased by 0.7% due to a two-week production stop in October.

EBITDA of USD 9m (USD 12m) was negatively impacted by the profitability on dry containers that continued to be under severe pressure. The EBITDA margin ended at 4.2% (4.7%), with margins on dry containers decreasing significantly, whereas reefer containers and services showed a slight increase.

For other businesses, revenue ended at USD 436m (USD 214m), impacted by a higher level of oil/bunker trading with third parties as well as the inclusion of bulk activities acquired as part of the Hamburg Süd transaction. EBITDA was USD 13m (USD 54m). •

Discontinued operations

Maersk Drilling reported a revenue of USD 336m (USD 370m), while EBITDA was USD 139m (USD 147m), negatively impacted by lower day rates due to expiring legacy contracts, partly offset by the cessation of depreciation following classification as discontinued operations.

Maersk Drilling reported solid cash conversion from an operational cash flow of USD 138m (USD 234m), and limited maintenance CAPEX.

The strong operational performance across the fleet resulted in an average operational uptime of 98% (98%) for the jack-up rigs and 96% (98%) for the deepwater rigs.

Maersk Supply Service reported a decrease in revenue to USD 57m (USD 60m), reflecting lower rates resulting in an EBITDA of negative USD 4m (positive USD 6m), which was also negatively impacted by increased project costs.

Cash flow used for capital expenditure decreased to USD 82m (USD 206m), due to the payment of one (two) newbuildings during Q4.

Amounts in USD million

Quarterly summary

Income statement	Q4	Q3	Q2	2018 Q1	Q4	Q3	Q2	2017 Q1
Revenue	10,182	10,077	9,507	9,253	8,440	7,714	7,690	7,101
Profit before depreciation, amortisation and impairment losses, etc. (EBITDA)	1,116	1,138	883	669	844	977	1,073	638
Depreciation, amortisation and impairment losses, net	873	781	903	768	709	782	889	635
Gain on sale of non-current assets, etc., net	56	45	10	33	77	8	54	15
Share of profit/loss in joint ventures	-	41	39	37	27	-202	14	30
Share of profit/loss in associated companies	-80	-78	17	26	34	20	25	22
Profit/loss before financial items (EBIT)	219	365	46	-3	273	21	277	70
Financial items, net	-127	-71	-71	-120	-137	-112	-234	-133
Profit/loss before tax	92	294	-25	-123	136	-91	43	-63
Tax	126	103	60	97	104	21	33	61
Profit/loss for the year – continuing operations	-34	191	-85	-220	32	-112	10	-124
Profit/loss for the year – discontinued operations[1]	107	169	111	2,982	354	-1,427	-274	377
Profit/loss for the year	73	360	26	2,762	386	-1,539	-264	253
A.P. Møller - Mærsk A/S' share	59	347	18	2,745	374	-1,555	-269	245
Underlying result	120	251	88	-239	36	254	205	-139
Balance sheet								
Total assets	56,636	61,787	61,200	61,639	63,227	60,260	61,310	60,428
Total equity	33,392	34,116	33,588	34,313	31,425	30,954	32,349	32,316
Invested capital	43,219	46,542	47,924	47,819	46,297	43,346	44,202	44,507
Net interest-bearing debt	8,741	12,416	14,290	13,395	14,799	12,552	11,852	12,212
Cash flow statement								
Cash flow from operating activities	1,354	1,085	353	433	983	744	941	445
Gross capital expenditure, excl. acquisitions and divestments (gross CAPEX)	-587	-401	-708	-1,180	-938	-1,092	-892	-677
Net cash flow from discontinued operations	1,200	32	-119	2,308	1,082	149	203	-183
Financial ratios[2]								
Revenue growth	21%	31%	24%	30%	19%	11%	15%	9%
Revenue growth excl. Hamburg Süd	9%	11%	4%	9%	12%	11%	15%	9%
EBITDA margin	11%	11%	9%	7%	10%	13%	14%	9%
Cash conversion	121%	95%	40%	65%	116%	76%	88%	70%
Return on invested capital after tax – continuing operations (ROIC)	1.0%	3.2%	-0.1%	-0.6%	2.9%	0.0%	3.1%	0.2%
Stock market ratios								
Share price (B share), end of year, DKK	8,184	9,020	7,948	9,344	10,840	11,960	13,090	11,570
Share price (B share), end of year, USD	1,255	1,401	1,243	1,556	1,746	1,899	2,008	1,662

Amounts in USD million

Quarterly summary

Business drivers and other data	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1
Ocean								
Other revenue, including hubs	938	890	783	830	734	643	614	556
Loaded volumes (FFE in ´000)	3,353	3,334	3,399	3,220	3,007	2,631	2,700	2,601
Loaded freight rate (USD per FFE)	1,913	1,929	1,840	1,832	1,750	1,829	1,863	1,713
Unit cost, fixed bunker (USD per FFE incl. VSA income)	1,776	1,809	1,783	1,895	1,744	1,788	1,732	1,745
Hub productivity (PMPH)	84	83	79	75	75	73	72	73
Bunker price, average (USD per tonne)	465	452	401	382	343	307	313	320
Bunker cost	1,325	1,318	1,205	1,194	970	809	780	782
Bunker consumption (tonnes in ´000)	2,848	2,915	3,002	3,129	2,825	2,636	2,490	2,444
Average nominal fleet capacity (TEU in ´000)	4,038	4,042	4,154	4,231	3,761	3,523	3,311	3,224
Fleet, owned (end of period)	355	353	346	346	339	285	282	284
Fleet, chartered (end of period)	355	370	396	430	442	383	364	355
Logistics & Services								
Gross profit	266	290	278	263	262	259	265	253
EBIT conversion (EBIT/Gross profit - %)	-5.9%	14.7%	8.4%	6.4%	9.2%	7.9%	27.5%	13.1%
Ocean volumes (TEU)	166,294	170,763	156,388	145,687	162,822	167,467	167,822	166,337
Supply chain management volumes (´000 cbm)	18,434	22,228	17,672	16,975	17,178	20,186	16,227	15,983
Airfreight volumes (tonnes)	45,068	46,057	44,218	40,159	60,396	50,672	50,138	45,002
Ocean revenue	186	165	148	147	163	167	170	166
Supply chain management revenue	211	256	194	206	212	221	170	175
Airfreight revenue	168	152	147	141	224	156	151	128
Inland haulage revenue	645	653	648	623	614	615	586	573
Inland activities revenue	150	147	154	144	139	136	148	166
Other services revenue	197	208	198	194	175	176	171	170
Terminals & Towage								
Terminal volumes – financially consolidated (moves in m)	3.1	2.8	2.8	2.7	2.7	3.4	1.7	2.4
Terminal revenue per move – financially consolidated (USD)	263	254	239	252	252	247	233	247
Terminal unit cost per move – financially consolidated (USD)	225	214	206	209	213	214	222	220
Result from joint ventures and associated companies	6	53	51	54	41	-185	32	34
Number of operational tug jobs (´000 harbour towage)	34	32	32	33	31	31	30	31
Annualised EBITDA per tug (terminal towage) (USD in ´000)	636	958	956	747	729	805	1,026	635
Manufacturing & Others								
Maersk Container industry, share of external customers (%)	61%	77%	60%	30%	32%	11%	4%	28%

[1] Following the classification of Maersk Oil, Maersk Tankers, Maersk Drilling and Maersk Supply Service as discontinued operations in 2017, the businesses are presented separately on an aggregated level in the income statement, balance sheet and cash flow statements. In accordance with IFRS, the income statement and cash flow statement have both been restated in previous periods, while the balance sheet has not been restated in previous periods. The Maersk Tankers transaction was closed on 10 October 2017 and the Maersk Oil transaction on 8 March 2018.

[2] See definitions on page 156.

Company overview

A.P. Moller - Maersk comprises more than 850 companies of which the largest are listed below.

The Danish Financial Statements Act section 97a, par. 4 has been applied in the company overview.

A more comprehensive list of companies is available at http://investor.maersk.com/financials.cfm

Subsidiaries

Company	Country of incorporation	Owned share
A.P. Moller Finance SA	Switzerland	100%
A.P. Moller Singapore Pte. Ltd.	Singapore	100%
Addicks & Kreye Container Service GmbH & Co. KG	Germany	51%
Aliança Navegação e Logística Ltda.	Brazil	100%
APM Terminals - Aarhus A/S	Denmark	100%
APM Terminals Algeciras S.A.	Spain	100%
APM Terminals Apapa Ltd.	Nigeria	94%
APM Terminals B.V.	The Netherlands	100%
APM Terminals Bahrain B.S.C.	Bahrain	80%
APM Terminals Callao S.A.	Peru	51%
APM Terminals China Co. Ltd.	Hong Kong	100%
APM Terminals Elizabeth, LLC	USA	100%
APM Terminals Gothenburg AB	Sweden	100%
APM Terminals India Pvt. Ltd.	India	100%
APM Terminals Inland Services S.A.	Peru	100%
APM Terminals Lázaro Cárdenas S.A. de C.V.	Mexico	100%
APM Terminals Liberia Ltd.	Liberia	75%
APM Terminals Management B.V.	The Netherlands	100%

Subsidiaries

Company	Country of incorporation	Owned share
APM Terminals Mobile, LLC	USA	100%
APM Terminals Moin S.A.	Costa Rica	100%
APM Terminals Maasvlakte II B.V.	The Netherlands	100%
APM Terminals North America B.V.	The Netherlands	100%
APM Terminals Pacific LLC	USA	100%
APM Terminals Rotterdam B.V.	The Netherlands	100%
APM Terminals Tangier SA	Morocco	90%
Aqaba Container Terminal Company Ltd.	Jordan	50%
Bermutine Transport Corporation Ltd.	Bermuda	100%
Coman SA	Benin	100%
Container Operators S.A.	Chile	100%
Damco (UAE) FZE	United Arab Emirates	100%
Damco A/S	Denmark	100%
Damco Australia Pty. Ltd.	Australia	100%
Damco Belgium NV	Belgium	100%
Damco China Ltd.	China	100%
Damco Distribution Services Inc.	USA	100%
Damco France SAS	France	100%
Damco India Pvt. Ltd.	India	100%
Damco International A/S	Denmark	100%
Damco Logistics Uganda Ltd.	Uganda	100%
Damco Sweden AB	Sweden	100%
Damco UK Ltd.	UK	100%
Damco USA Inc.	USA	100%
Farrell Lines Inc.	USA	100%
Gateway Terminals India Pvt. Ltd.	India	74%
Hamburg Südamerikanische Dampfschifffahrts-Gesellschaft A/S and Co KG	Germany	100%
Lilypond Container Depot Nigeria Ltd.	Nigeria	100%
Maersk (China) Shipping Company Ltd.	China	100%
Maersk Agency U.S.A. Inc.	USA	100%
Maersk Aviation Holding A/S	Denmark	100%
Maersk B.V.	The Netherlands	100%
Maersk Bangladesh Ltd.	Bangladesh	100%
Maersk Container Industry A/S	Denmark	100%
Maersk Container Industry Dongguan Ltd.	China	100%

Subsidiaries

Company	Country of incorporation	Owned share
Maersk Container Industry Qingdao Ltd.	China	100%
Maersk Denizcilik A.Ş.	Turkey	100%
Maersk Drilling A/S	Denmark	100%
Maersk Drilling Deepwater A/S	Denmark	100%
Maersk Drilling Deepwater Egypt LLC	Egypt	100%
Maersk Drilling Holdings Singapore Pte. Ltd.	Singapore	100%
Maersk Drilling International A/S	Denmark	100%
Maersk Drilling Norge AS	Norway	100%
Maersk Drilling USA Inc.	USA	100%
Maersk Drillship III Singapore Pte. Ltd.	Singapore	100%
Maersk Drillship IV Singapore Pte. Ltd.	Singapore	100%
Maersk Egypt For Maritime Transport SAE	Egypt	100%
Maersk FPSOs A/S	Denmark	100%
Maersk Gabon SA	Gabon	100%
Maersk Global Service Centres (Chengdu) Ltd.	China	100%
Maersk Global Service Centres (India) Pvt. Ltd.	India	100%
Maersk Holding B.V.	The Netherlands	100%
Maersk Hong Kong Ltd.	Hong Kong	100%
Maersk Inc.	USA	100%
Maersk Innovator Norge A/S	Denmark	100%
Maersk Integrator Norge A/S	Denmark	100%
Maersk Inter Holding B.V.	The Netherlands	100%
Maersk Interceptor Norge A/S	Denmark	100%
Maersk Intrepid Norge A/S	Denmark	100%
Maersk Line A/S	Denmark	100%
Maersk Line Agency Holding A/S	Denmark	100%
Maersk Line UK Ltd.	UK	100%
Maersk Line, Limited	USA	100%
Maersk Logistics Warehousing China Company Ltd.	Hong Kong	100%
Maersk Oil Trading and Investments A/S	Denmark	100%
Maersk Oil Trading Inc.	USA	100%
Maersk Shipping Hong Kong Ltd.	Hong Kong	100%
Maersk Supply Service (Angola) Lda.	Angola	49%
Maersk Supply Service A/S	Denmark	100%
Maersk Supply Service Canada Ltd.	Canada	100%
Maersk Supply Service International A/S	Denmark	100%

Subsidiaries

Company	Country of incorporation	Owned share
Maersk Supply Service UK Ltd.	UK	100%
Maersk Treasury Center (Asia) Pte. Ltd.	Singapore	100%
Maersk Vietnam Ltd.	Vietnam	100%
Maersk Viking LLC	USA	100%
MCC Transport Singapore Pte. Ltd.	Singapore	100%
New Times International Transport Service Co. Ltd.	China	100%
Poti Sea Port Corporation	Georgia	100%
PT Damco Indonesia	Indonesia	98%
Rederiaktieselskabet Kuling	Denmark	100%
Rederiet A.P. Møller A/S	Denmark	100%
Safmarine (Pty) Ltd.	South Africa	100%
Safmarine MPV NV	Belgium	100%
Seago Line A/S	Denmark	100%
Sogester - Sociedade Gestora De Terminais S.A.	Angola	51%
Suez Canal Container Terminal SAE	Egypt	55%
Svitzer A/S	Denmark	100%
Svitzer Australia Pty Ltd	Australia	100%
Svitzer Marine Ltd.	UK	100%
Terminal 4 S.A.	Argentina	100%
U.S. Marine Management, Incorporated	USA	100%
West Africa Container Terminal Nigeria Ltd.	Nigeria	100%

Associated companies

Company	Country of incorporation	Owned share
Abidjan Terminal SA	Ivory Coast	49%
Brigantine International Holdings Ltd.	Hong Kong	30%
Brigantine Services Ltd.	Hong Kong	30%
Congo Terminal Holding SAS	France	30%
Congo Terminal SA	Republic of the Congo	23%
Cosco Ports (Nansha) Ltd.	British Virgin Islands	34%
Guangzhou South China Oceangate Container Terminal Co. Ltd.	China	20%
Gujarat Pipavav Port Ltd.	India	43%
Höegh Autoliners Holdings AS	Norway	39%
Meridian Port Services Ltd.	Ghana	42%
Salalah Port Services Company SAOG	Oman	30%
Shanghai Tie Yang Multimodal Transportation Co. Ltd.	China	29%
South Asia Gateway Pvt. Ltd.	Sri Lanka	33%
Tianjin Port Alliance International Container Terminal Co. Ltd.	China	20%

Joint ventures

Company	Country of incorporation	Owned share
Anchor Storage Ltd.	Bermuda	51%
Ardent Holdings Limited	UK	50%
Brasil Terminal Portuario S.A.	Brazil	50%
Cai Mep International Terminal Co. Ltd.	Vietnam	49%
Douala International Terminal SA	Cameroon	40%
Eurogate Container Terminal Wilhelmhaven Beteiligungsgesellschaft GmbH	Germany	30%
First Container Terminal ZAO	Russian Federation	31%
Global Ports Investments PLC	Cyprus	31%
North Sea Terminal Bremerhaven Verwaltungsgesellschaft GmbH	Germany	50%
Pelabuhan Tanjung Pelepas Sdn. Bhd.	Malaysia	30%
Petrolesport OAO	Russia Federation	31%
Qingdao New Qianwan Container Terminal Co. Ltd.	China	19%
Qingdao Qianwan Container Terminal Co. Ltd.	China	20%
Shanghai East Container Terminal Co. Ltd.	China	49%
Smart International Logistics Company Ltd.	China	49%
South Florida Container Terminal LLC	USA	49%
Vostochnaya Stevedore Company OOO	Russia Federation	31%
Xiamen Songyu Container Terminal Co. Ltd.	China	25%

Stock exchange announcements

The complete list of announcements is available at
http://investor.maersk.com/financials.cfm

9 February
- Annual Report 2017

8 March
- Sale of Mærsk Olie og Gas A/S completed

9 March
- Notice convening the Annual General Meeting 2018 in A.P. Møller - Mærsk A/S

20 March
- Management change

10 April
- Development of the Annual General Meeting on 10 April 2018
- Articles of Association for A.P. Møller - Mærsk A/S

11 April
- Establishment of Restricted Share Plan

1 May
- New financial reporting structure from Q1 2018

17 May
- Interim Report Q1 2018

20 June
- Management change — New CFO

7 August
- A.P. Møller - Mærsk A/S – Adjustment of expectations for the 2018 result

17 August
- Interim Report Q2 2018
- Joint Usage Agreement with related parties

14 November
- Interim Report Q3 2018

7 December
- Financial calendar 2019

10 December
- Correction: Financial calendar 2019

Definition of terms

Technical terms, abbreviations and definitions of key figures and financial ratios.

Alphaliner
Alphaliner is a worldwide provider of container shipping data and analysis.

Backhaul
The direction of the trade route that has the lowest volumes, whereas the opposite direction is referred to as headhaul.

Backlog
The value of future contract coverage (revenue backlog).

Bunker Adjustment Factor (BAF)
A surcharge applied to freight rates to compensate unexpected fuel oil price variations as an element in the contracts with the customers.

CAPEX
Cash payments for intangible assets and property, plant and equipment, excluding acquisitions and divestments.

Cash conversion
Cash flow from operations to EBITDA ratio.

Cash flow from operating activities per share
A.P. Moller - Maersk's operating cash flow from continuing operations divided by the number of shares (of DKK 1,000 each), excluding A.P. Moller - Maersk's holding of own shares.

Contract coverage
Percentage indicating the part of vessel/rig days that are contracted for a specific period.

Cost base
EBIT costs including VSA income and hub income and adjustments for restructuring costs, the result from associated companies and gains/losses.

CROIC
Cash return on invested capital based on free cash flow excluding acquisitions/divestments divided by average invested capital for continuing operations.

Demurrage and detention
Compensation payable when a customer holds Maersk's containers beyond the agreed amount of free time, including any storage costs that Maersk may have incurred in connection therewith as well as compensation by way of liquidated damages for not having the containers available for circulation.

Discontinued operations
Discontinued operations are a major line of business (disposal group) that is either held for sale or has been sold in previous periods. The disposal group is reported separately in a single line in the income statement and cash flow statement. Comparison figures are restated. In the balance sheet assets and liabilities are classified and disclosed separately on an aggregate level as assets held for sale and liabilities associated with assets held for sale. In the balance sheet comparison figures are not restated. Discontinued operations include Maersk Oil up to closing in March 2018, Maersk Tankers up to closing in October 2017 as well as Maersk Drilling and Maersk Supply Service.

Dividend yield
Equal to the proposed dividend for the year divided by the share price.

EBIT conversion ratio
Calculated as EBIT divided by the gross profit.

EBITDA
Earnings Before Interest, Taxes, Depreciation and Amortisation.

Equity ratio
Calculated as equity divided by total assets.

FFE
Forty Foot container Equivalent unit.

GDP multiplier
The relationship between GDP growth and trade growth, calculated as global container volume growth divided by global real GDP growth, at market prices.

Gross profit
The sum of revenue less variable costs and loss on debtors.

Headhaul
The direction of the trade route that has the highest volume, whereas the return direction is referred to as backhaul.

IMO 2020
The International Maritime Organization's (IMO) 0.5% global cap on sulphur dioxide (SO_x) content in fuels for shipping will enter into force on 1 January 2020.

Jack-up rig
A drilling rig resting on legs that can operate in waters of 25-150 metres.

Loaded volumes
Loaded volumes refer to the number of FFEs loaded on a shipment which are loaded on first load at vessel departure time excluding displaced FFEs.

Net interest-bearing debt (NIBD)
Equals interest-bearing debt, including fair value of derivatives hedging the underlying debt, less cash and bank balances as well as other interest-bearing assets.

NOPAT
Net Operating Profit or loss After Tax.

Ocean, hub productivity (PMPH)
Productivity is calculated as the average of the gross moves per hour for each call. Gross moves per hour for a single vessel call is defined as the total container moves (on load, off load and repositioning) divided by the number of hours for which the vessel is at berth.

Ocean, loaded freight rate (USD per FFE)
Average freight rate per FFE for all the Maersk containers loaded in the period in either Maersk Line or Hamburg Süd vessels or third parties (excluding intermodal). Hamburg Süd is not excluding intermodal.

Ocean, unit cost, fixed bunker (USD per FFE incl. VSA income)
Cost per FFE assuming a bunker price at USD 200/tonne excluding intermodal but including hubs and time charter income. Hamburg Süd is not excluding intermodal.

Return on equity
Calculated as the profit/loss for the year divided by the average equity.

Return on invested capital after tax (ROIC)
Profit/loss before financial items for the year (EBIT) less tax on EBIT divided by the average invested capital.

Terminals & Towage, annualised EBITDA per tug (terminal towage) (USD in '000)
Annualised EBITDA per tug equivalent (pilot boats and others count for 0.5).

Terminals & Towage, number of operational tug jobs (harbour towage) ('000)
Tug jobs on which Svitzer performs the physical job, which include jobs where Svitzer has the commercial contract with the customer as well as jobs which Svitzer receives from the competitor through over-flow or other agreements.

Terminals & Towage, terminal volumes – equity-weighted (moves in m)
Terminal volumes in moves weighted on terminal ownership percentages include all entities (subsidiaries and joint ventures and associates).

TEU
Twenty-foot container Equivalent Unit.

Time charter
Hire of a vessel for a specified period.

Total market capitalisation
Total number of shares – excluding A.P. Møller - Mærsk A/S´ holding of own shares – multiplied by the end-of-year price quoted by Nasdaq Copenhagen.

Total shareholder return
Equal to the price appreciation rate (price variance from the beginning to the end of the year) and the dividend yield.

Underlying profit/loss
Underlying profit/loss is profit/loss for the year from continuing operations adjusted for net gains/losses from sale of non-current assets, etc. and net impairment losses as well as transaction, restructuring and integration costs related to major transactions. The adjustments are net of tax and include A.P. Moller - Maersk's share of mentioned items in associates and joint ventures.

Uptime
A period when a unit is functioning and available for use.

VSA
Vessel Sharing Agreement is usually reached between various partners within a shipping consortium who agree to operate a liner service along a specified route using a specified number of vessels.

External financial reporting for A.P. Moller - Maersk

A.P. Moller - Maersk has tailored its external financial reporting specifically towards the needs of our different stakeholders with two annual publications.

The Annual Report focuses on the very detailed and legally required information, whereas the focus of the Annual Magazine is on providing an overview of key developments during the year. The publications can be read individually or together depending on our stakeholders' interests. The Annual Report is available electronically in English at http://investor.maersk.com/financials.cfm

The Annual Magazine provides an overview of the operations and performance of Maersk in a concise and easy-to-read format. This publication is not a substitute for the Annual Report, and does not contain all the information needed to give as full an understanding of Maersk's performance, financial position and prospects as provided in the Annual Report. The Annual Magazine is published in English and Danish, both available for download prior to the Annual General Meeting at http://investor.maersk.com/financials.cfm

Maersk also produces Interim Reports for each of the first three quarters of the financial year, and a summary report for Q4 is included in the Annual Report.

To further add value and with a focus on the professional segment and others with more specific interests, detailed presentations are available each quarter following the release of the Interim Reports and the Annual Report.

Maersk also hosts, on a regular basis, Capital Markets Days, which can be followed through a live webcast, and the speakers' presentation slides can be accessed via links.

This extended information of Interim Reports, presentations and webcasts can be found on our Investor Relations website at http://investor.maersk.com/

Quarterly figures for 2010-2018 are available at http://investor.maersk.com/financials.cfm

The Board of Directors of A.P. Møller - Mærsk A/S continues to consider the 'Recommendations for Corporate Governance' implemented by Nasdaq Copenhagen. For further information, see page 55 of this report.

Sustainability and gender composition of management

An independently assured Sustainability Report for 2018 has been published, which provides detailed information on Maersk's sustainability performance. The report serves as Maersk's Communication on Progress as required by the UN Global Compact, and ensures compliance with the requirements of Section 99a and b of the Danish Financial Statements Act, Årsregnskabsloven, on corporate social responsibility and reporting on the gender composition of management. The report is available at https://www.maersk.com/about/sustainability/reports

Additional information on how Maersk manages issues and explains implementation, progress and relevant commitments and frameworks can be found on the Sustainability website at https://www.maersk.com/about/sustainability

Government payments – Maersk Oil

Disclosure of tax payments on a country-by-country basis up until separation of Maersk Oil on 8 March 2018 in accordance with the EU Accounting Directive and as implemented in Section 99c of the Danish Financial Statements Act is provided in a separate report. The report is available at http://investor.maersk.com/financials.cfm •

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